

BLUE CRANE ROUTE MUNICIPALITY(EC102)



Annual Financial Statements for the
year ended 30 June 2020

Blue Crane Route Municipality (EC 102)

Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Local Municipality
Grade	2
Nature of business and principal activities	Local Government. Principal activities inline with the Constitution of South Africa, Schedule 4 B and 5 B
The following is included in the scope of operation	Service Delivery - (Basic service delivery such as electricity, sanitation , refuse removal Infrastructure development, economic development, community services)
Council members Mayor/Speaker Councillors	BA Manxoweni A Hufkie M Kwatsha P Sonkwala J Martin T Xakaxa F Brown C Nel (From December 2019) KC Brown NP Nkonyeni T Grootboom C Du Plessis (Up to August 2019)
Accounting Officer	T Klaas (mmanager@bcrm.gov.za)
Chief Finance Officer (CFO)	NB Delo (nigeld@bcrm.gov.za)
Registered office	67 Nojoli Street Somerset East 5850
Postal address	P.O. Box 21 Somerset East 5850
Auditors	Auditor General South Africa
Bankers	First National Bank
Attorneys	Not appointed

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The reports and statements set out below comprise the annual financial statements presented to the Council.

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
mSCOA	Municipal Standard Chart Of Accounts
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
SBDM	Sarah Baartman District Municipality
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Program

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. Note 47 of this Annual Financial Statements has given more clarity on this matter.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the Chief Financial Officer.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on the following pages have been prepared on the going concern basis, were approved by the accounting officer on 18 September 2020 and were signed by him.

The accounting officer hereby certify as required by Section 124(1)(a) of the Municipal Finance Management Act (Act 56 of 2003) that the salaries, allowances and benefits of political office-bearers and councillors of the Blue Crane Route Municipality, whether financial or in kind, are within the upper limits of the framework envisaged in section 219 of the Constitution.



Thabiso Klaas
Accounting Officer
18 September 2020

Blue Crane Route Municipality

Annual Financial Statements for the year ended 30 June 2020

STATEMENT OF FINANCIAL POSITION

	Notes	2020 R	2019 R (Restated)
ASSETS			
Current assets			
Other financial assets	4	-	2 982
Inventories	6	1 213 851	1 305 445
Other receivables from exchange transactions	7	1 371 209	1 231 766
Other receivables from non-exchange transactions	8	7 798 039	5 606 637
Trade receivables from exchange transactions	9	34 044 707	28 903 065
Cash and cash equivalents	10	9 882 437	27 634 697
		<u>54 310 243</u>	<u>64 684 592</u>
Non-current assets			
Investment property carried at cost	11	25 195 913	25 258 766
Property, plant and equipment	12	634 771 864	619 523 311
Intangible assets	13	4 963	6 825
Heritage assets	14	458 067	458 067
Other financial assets	4	-	-
		<u>660 430 807</u>	<u>645 246 969</u>
Total assets		<u>714 741 050</u>	<u>709 931 561</u>
LIABILITIES			
Current liabilities			
Employee benefit obligation	15	1 782 000	1 732 586
Other financial liabilities	16	815 759	3 857 176
Finance lease obligation	17	228 331	1 008 468
Unspent conditional grants and receipts	18	2 254 113	25 264 283
Payables from exchange transactions	20	47 293 676	36 684 508
Trade and other payables from non-exchange	21	204 137	46 983
VAT payable	22	4 027 963	2 298 371
Consumer deposits	23	2 733 983	2 673 592
		<u>59 339 962</u>	<u>73 565 967</u>
Non-current liabilities			
Employee benefit obligation	15	22 779 000	24 560 565
Other financial liabilities	16	-	815 759
Finance lease obligation	17	-	228 331
Provisions	19	25 142 849	23 707 624
		<u>47 921 849</u>	<u>49 312 279</u>
Total liabilities		<u>107 261 811</u>	<u>122 878 246</u>
Net assets		<u>607 479 239</u>	<u>587 053 315</u>
Accumulated surplus		<u>607 479 239</u>	<u>587 053 315</u>

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Annual Financial Statements for the year ended 30 June 2020

STATEMENT OF FINANCIAL PERFORMANCE

		2020 R	2019 R (Restated)
	Notes		
Revenue			
Property rates	26	21 550 618	13 222 692
Service charges	27	132 834 148	119 817 169
Rental of facilities and equipment	25	712 659	495 142
Interest earned - outstanding debtors	25	5 542 512	4 491 891
Interest earned - external investments	28	1 389 562	2 052 498
Agency Services	25	753 971	1 013 340
Fines	25	162 231	125 798
Licences and permits	25	396 517	540 216
Transfers and Subsidies	29	113 305 613	145 657 745
Gains on disposal of PPE	25		78 272
Other income	30	1 757 694	1 937 233
Total revenue		278 405 525	289 431 996
Expenditure			
Employee related costs	31	83 124 880	79 497 360
Remuneration of councillors	32	4 050 729	3 993 698
Debt Impairment	33	23 280 573	19 452 883
Depreciation and asset impairments/amortisation	12/13	31 374 395	34 560 026
Finance costs	34	1 888 409	3 308 278
Bulk purchases	35	92 597 013	79 992 493
Contracted services	36	6 661 160	7 985 647
Inventory consumed	37	5 267 587	5 978 427
Transfers and Subsidies	38	841 086	838 760
Operational Cost	39	12 373 739	12 365 819
Loss on disposal of PPE	12	40 202	
Total expenditure		261 499 773	247 973 391
Actuarial gain	15	3 520 172	3 247 659
Surplus for the year		20 425 924	44 706 264

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STATEMENT OF CHANGES IN NET ASSETS

	Notes	R	R
		Accumulated Surplus/(Deficit)	Total: Net Assets
Opening balance as previously reported (2018)		541 639 253	541 639 253
Adjustments:			
Prior period adjustments (2018 and earlier)	45	707 798	707 798
Balance at 1 July 2018 as restated		542 347 051	542 347 051
Changes in net assets		-	-
Surplus for the year		44 706 264	44 706 264
Balance at 30 June 2019 as restated		587 053 315	587 053 315
Opening balance as previously reported (2019)		585 864 837	585 864 837
Prior period adjustments (2019 and earlier)	45	1 188 478	1 188 478
Balance at 1 July 2019 as restated		587 053 315	587 053 315
Changes in net assets			
Surplus for the year		20 425 924	20 425 924
Balance at 30 June 2020		607 479 239	607 479 239

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CASH FLOW STATEMENT

		2020 R	2019 R (Restated)
	Notes		
Cash flows from operating activities			
Receipts			
Sales of goods and services		123 771 149	112 774 287
Grants		90 295 443	168 939 056
Interest received		1 353 597	2 014 088
Other receipts		11 272 721	4 417 436
		<u>226 692 910</u>	<u>288 144 867</u>
Payments			
Employee costs		(81 336 859)	(76 319 446)
Remuneration of councillors		(4 050 729)	(3 993 698)
Suppliers		(15 992 449)	(15 592 873)
Bulk purchases		(90 309 765)	(73 835 597)
Interest paid		(367 265)	(738 266)
Other payments		(841 087)	(7 661 129)
		<u>(192 898 154)</u>	<u>(178 141 009)</u>
Net cash flows from operating activities	41	<u>33 794 756</u>	<u>110 003 858</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12/13	(46 609 876)	(78 875 475)
Nett proceeds on disposal of assets and liabilities		11 441	416 496
Proceeds from Other financial assets	4	2 982	3 419
Net cash flows from investing activities		<u>(46 595 453)</u>	<u>(78 455 560)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(3 857 176)	(3 510 272)
Finance lease received			
Finance lease payments		(1 094 387)	(1 625 891)
Net cash flows from financing activities		<u>(4 951 563)</u>	<u>(5 136 163)</u>
Net increase / (decrease) in net cash and cash equivalents		(17 752 260)	26 412 135
Net cash and cash equivalents at beginning of period		27 634 697	1 222 562
Net cash and cash equivalents at end of period	10	<u>9 882 437</u>	<u>27 634 697</u>

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Statement of Financial Position						
Total current assets		36 200 000	4 036 793	40 236 793	54 310 243	(14 073 450)
Total non-current assets		651 276 138	37 443 635	688 719 773	660 430 807	28 288 966
Total current liabilities		(31 847 942)	(29 085 018)	(60 932 960)	(59 339 962)	(1 592 998)
Total non-current liabilities		(49 000 000)	22 916 068	(26 083 932)	(47 921 849)	21 837 917
Net Assets		606 628 196	35 311 478	641 939 674	607 479 239	34 460 435

Statement of Financial Performance

Revenue						
Property rates	52	18 026 690		18 026 690	21 561 237	(3 534 547)
Service charges	52	148 405 472	509 448	148 914 920	143 633 428	5 281 492
Interest earned - external investments		850 000	500 000	1 350 000	1 389 562	(39 562)
Interest earned - outstanding debtors		4 197 650	1 268 000	5 465 650	5 542 512	(76 862)
Rental of facilities and equipment		390 000	75 000	465 000	712 659	(247 659)
Fines		423 000	-	423 000	162 231	260 769
Licences and permits		480 300	-	480 300	396 517	83 783
Agency services		850 000	100 000	950 000	753 971	196 029
Transfers and Subsidies		87 983 000	27 791 210	115 774 210	113 305 613	2 468 597
Gains on disposal of PPE		-	-	-	-	-
Other Income	52	1 277 140	7 477 600	8 754 740	5 277 866	3 476 874
Total Revenue		262 883 252	37 721 258	300 604 510	292 735 596	7 868 914
Expenditure						
Employee related costs	52	83 150 120	(2 693 134)	80 456 986	80 785 145	(328 159)
Remuneration of councillors		4 253 900	(75 410)	4 178 490	4 050 729	127 761
Debt impairment		11 103 750	3 886 310	14 990 060	23 280 573	(8 290 513)
Depreciation & asset impairment		42 179 290	300 000	42 479 290	31 374 395	11 104 895
Finance charges	52	5 018 550	17 640	5 036 190	4 228 144	808 046
Bulk Purchases		97 294 100	-	97 294 100	92 597 013	4 697 087
Inventory consumed	52	4 677 790	(9 130)	4 668 660	2 875 983	1 792 677
Contracted services		8 453 450	6 450	8 459 900	6 661 160	1 798 740
Transfers and Subsidies		883 740	(42 640)	841 100	841 086	14
Other expenditure	52	25 817 350	3 185 040	29 002 390	25 615 444	3 386 946
Total expenditure		282 832 040	4 575 126	287 407 166	272 309 672	15 097 494
Actual Amount on Comparable Basis as Presented in the Budget And Actual Comparative Statement		(19 948 788)	33 146 132	13 197 344	20 425 924	(7 228 580)

Refer to note 54 for explanations for material variances between final budget and actual amounts as well as note 55 for differences between the final budget and the original budget

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	Approved budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Cash Flow Statement						
Cash flows from operating activities						
<u>Receipts</u>						
Ratepayers and other		156 965 589	(4 726 140)	152 239 449	123 771 149	28 468 300
Other Revenue		6 944 005	9 046 638	15 990 643	11 212 330	4 778 313
Government - operating		60 969 000	396 390	61 365 390	62 020 487	(655 097)
Government - capital		27 014 000	26 821 813	53 835 813	28 274 956	25 560 857
Interest		4 627 885	(4 627 885)		1 353 597	(1 353 597)
<u>Payments</u>						
Suppliers and employees		(223 646 710)	(413 816)	(224 060 526)	(191 689 803)	(32 370 723)
Finance charges		(460 850)	(4 575 340)	(5 036 190)	(367 265)	(4 668 925)
Transfers and Grants		(883 740)	42 640	(841 100)	(841 086)	(14)
NET CASH FROM/(USED) OPERATING ACTIVITIES		31 529 179	21 964 300	53 493 479	33 734 365	19 759 114
CASH FLOWS FROM INVESTING ACTIVITIES						
<u>Receipts</u>						
Proceeds on disposal of PPE		-			11 441	(11 441)
Decrease (Increase) in non-current debtors		4 000			2 982	(2 982)
<u>Payments</u>						
Capital assets		(27 674 000)	(26 978 213)	(54 652 213)	(46 609 876)	(8 042 337)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(27 670 000)	(26 978 213)	(54 652 213)	(46 595 453)	(8 056 760)
CASH FLOWS FROM FINANCING ACTIVITIES						
<u>Receipts</u>						
Borrowing long term/finance lease					-	
Increase (decrease) in consumer deposits		50 000	-	50 000	60 391	(10 391)
<u>Payments</u>						
Repayment of borrowing		(4 000 000)	168 185	(3 831 815)	(4 951 563)	1 119 748
NET CASH FROM/(USED) FINANCING ACTIVITIES		(3 950 000)	168 185	(3 781 815)	(4 891 172)	1 109 357
NET INCREASE/ (DECREASE) IN CASH HELD		(90 821)	(4 849 728)	(4 940 549)	(17 752 260)	12 811 711
Cash/cash equivalents at the year begin:		1 000 000	26 438 211	27 438 211	27 634 697	-
Cash/cash equivalents at the year end:		909 179	21 588 483	22 497 662	9 882 437	12 811 711

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise. Details on any changes in accounting policies are provided in note Changes in accounting policy.

1.1. Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures in the annual financial statement are rounded to the nearest Rand value.

1.2. Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3. Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

The approved budget is prepared on an accrual basis.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

1.4. Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

ACCOUNTING POLICIES

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 42 to the financial statements.

1.5. Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.6. Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement

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cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis.

The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and

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then discounted to their present value using an appropriate discounting rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

1.7. Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as

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ACCOUNTING POLICIES

property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land (PPE)	Indefinite
Buildings	30 - 60 years
Plant	5 – 15 years
Furniture and fixtures	5 – 15 years
Motor vehicles	5 – 20 years
Office equipment	3 – 10 years
Other equipment	3 – 10 years
Infrastructure	5 – 80 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the

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carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8. Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Cost Model

Investment property is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property – land	indefinite
Property – buildings	30 years.

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Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.9. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- ☐ the entity intends to complete the intangible asset, for use or sale
- ☐ it is technically feasible to complete the intangible asset
- ☐ the entity has the resources to complete the project
- ☐ it is probable that it will generate future economic benefits or service potential.
- ☐ the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

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An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

For all other intangible assets amortisation is provided on a straight line basis over their useful life. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software 5 years

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10. Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

Initial Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairments

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11. Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost. All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

- ☐ derivatives;
- ☐ combined instruments that are designated at fair value;
- ☐ instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost:

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Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates, at fair value, at initial recognition or, are held for trading.

c) Financial instruments at cost:

Investments in residual interest, which do not have quoted market prices, and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would

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have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- ☐ the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- ☐ the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- ☐ the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and

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Transfers).

Policies relating to specific financial instruments

Investments at amortised cost

Investments which include fixed deposits and short-term deposits invested in registered commercial banks are categories as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited to the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost. Trade payables are recognised VAT included.

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Other financial assets

These include loans receivable and initially measured at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortised cost.

1.12. Leases

Finance leases - lessee

Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability.

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An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13. Inventories

Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14. Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- ☐ its fair value less costs to sell (if determinable);
- ☐ its value in use (if determinable); and

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□ zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15. Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Post-employment benefits

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post-retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method.

The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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1.16. Provisions and contingencies

Provisions are recognised when:

- a) the municipality has a present obligation as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c) a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.17. Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and

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- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high- tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly based.

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on on-going leases.

License fees and permits are recognised in accordance with the substance of the agreements entered into.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

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1.18. Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount and once all the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

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Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

1.19. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20. Expenditure – Operation Cost

An operating expense is a day to day expense such as sales and administration, or research & development, accounting expenses, licence fees, advertising, office expenses, utilities, such as telephone, insurance, property management, travel and vehicle expenses.

1.21. Expenditure – Bulk Purchases

Bulk purchases of Electricity and Water from Eskom (Including alternative service providers) and Water sources such as Water Boards and other providers.

1.22. Expenditure – Contracted Services

This expenditure type distinguishes between Outsourced services, Contractors and Professional and Special Services.

1.23. Expenditure – Inventory Consumed

The amount of inventories recognised as an expense during the period. GRAP 12.45(d). The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consist of those costs previously included in the measurement of inventory that has now been sold, exchanged or distributed, and unallocated production overheads and abnormal amounts of production cost of inventories. (Grap 12.47)

1.24. Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003), and includes:

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the municipality otherwise than in accordance with this Act;

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All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25. Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26. Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28. Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS

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for VAT on the payment basis.

1.29. Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30. Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in-line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

2. Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

3. New standards and Interpretations

New Standards and Interpretations

Standards and interpretations effective and adopted in the current year

GRAP 20 : Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may

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have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and

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- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements.

GRAP 32 : Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements.

GRAP 108 : Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements.

GRAP 109 : Accounting by Principals and Agent

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The entity has adopted the standard for the first time in the 2019/2020 annual financial statements.

IGRAP 17 : Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The entity has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

IGRAP 18 : Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The entity has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

IGRAP 19 : Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?

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- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The entity has adopted the interpretation for the first time in the 2019/2020 annual financial statements. The adoption of these amendment is not expected to impact on the results of the municipality but has resulted in more disclosures in the annual financial statements

3.1. Standards and Interpretations issued, but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 104 Financial Instruments (No effective date)

The following changes to GRAP standards became effective for financial years starting on or after 1 April 2020 and therefore fall outside the current financial year:

GRAP 18 Segmental Reporting

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

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GRAP 38 Disclosure of Interest in other Entities

GRAP 110 Living and Non-living Resources

GRAP 18 Segmental Reporting

This standard requires the municipality to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 34 Separate Financial Statements

This standard requires the disclosure of investments in controlled entities , joint ventures and associates to present separate financial statements.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will not have any impact on this Municipality as it does not have entities.

GRAP 35 Consolidated Financial Statements

The objective of the standard is to prescribe the accounting for entities that is a controlling entity and need to present consolidated financial statements.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will not have any impact on this Municipality as it does not have entities.

GRAP 36 Investments in Associates and Joint Ventures

This standard prescribes the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

GRAP 37 Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e jointly controlled).

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

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GRAP 38 Disclosure of Interest in other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flow.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

GRAP 110 Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant.

3.2. Interpretations and Directives issued, but not yet effective

The following interpretations have been issued by the Accounting Standards Board but has not been given an effective date by the Minister of Finance. The entity has not early-adopted this new interpretation, but has referred to it for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset - Issued August 2013

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land – Issued March 2017

IGRAP 19 Liabilities to Pay Levies – Issued March 2017

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities – Issued August 2015

IGRAP 17 – Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

ACCOUNTING POLICIES

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

The Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as its asset.

The precise impact of this on the financial statements of the municipality is still being assessed but it is expected it will have an impact on Standard of GRAP on Inventories (GRAP 12), Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103) should the land use change.

IGRAP 19 – Liabilities to Pay Levies

This Interpretation addresses the recognition of a liability to pay a levy if that liability is within the scope of GRAP 19. It also addresses the recognition of a liability to pay a levy whose timing and amount is certain. The measurement of a liability to pay a levy is not addressed in this Interpretation, instead an entity refers to GRAP 19.

The impact of this on the financial statements is not expected to be significant. This interpretation does not yet have an effective date

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

There is no impact as they directive only applies to public entities that are not currently applying Standards of GRAP.

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
4 Other financial assets		
Amortised cost		
Long term loans		
This loan is for a sport club and is repayable in monthly instalments over a period of twenty years. It has a fixed interest rate of 5% and is fully redeemed in April 2020. This loan was not secured	-	2 982
Opening Balance	2 982	6 401
Interest accrued	69	243
Installments	(3 051)	(3 662)
Closing Balance	-	2 982
Non-current assets		
Amortised cost		-
Current assets		
Amortised cost	-	2 982
	-	2 982

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2020 and 2019, as all the financial assets were disposed of at their redemption date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020 - Rnil (2019 - Rnil) were past due but not impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
5 Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
2020		Financial assets at amortised cost
Other financial assets		-
Other receivables from exchange transactions		1 371 209
Other receivables from non-exchange transactions		7 798 039
Cash and cash equivalents		9 882 437
Trade receivables from exchange transactions		34 044 707
		<u>53 096 392</u>
2019		
Other financial assets		2 982
Other receivables from exchange transactions		1 231 766
Other receivables from non-exchange transactions		5 606 637
Cash and cash equivalents		27 634 697
Trade receivables from exchange transactions		28 903 065
		<u>63 379 147</u>
6 Inventories		
Housing in process	55 080	55 080
Consumable stores	1 004 707	1 056 514
Water	154 064	193 851
	<u>1 213 851</u>	<u>1 305 445</u>

Stores issues amounted to R 1 331 556 and R 1 616 258 (2019).

No Inventory write downs were required for the year.

No Inventory were pledged as security.

No amount included in inventory is carried at current replacement cost or NRV.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
7 Other receivables from exchange transactions		
Deposits (Eskom and Fuel)	940 632	834 615
Government Grants and Subsidies	158 842	158 842
Other receivables	35 448	35 448
Expenditure paid in advance (Insurance & Registration cost)	266 220	232 794
Provision for bad debts: Other Receivables	(29 933)	(29 933)
	1 371 209	1 231 766
The ageing of other receivables from exchange transactions and not impaired is as follows:		
Current (0-30days)	148 279	71 490
91-120 days		232 794
> 121 days	1 222 930	927 482
	1 371 209	1 231 766

Other receivables pledged as security

Other receivables were not pledged as security.
Other receivables is a financial assets at amortised cost.

Credit quality of other receivables from exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
8 Other receivables from non-exchange transactions		
Property rates	7 596 651	5 266 096
Other receivables	201 388	340 541
	7 798 039	5 606 637
Property rates		
Property rates: Statutory	6 574 705	4 584 551
Property Rates: All Other Categories	13 135 033	4 635 583
Provision for bad debts: Property rates	(12 113 087)	(3 954 038)
	7 596 651	5 266 096
Property rates age analysis: Statutory		
Current (0-30days)	5 031	-
31-60 days	3 429	47 105
61-90 days	1 540	-
91-120 days	1 553	-
> 121 days	6 563 152	4 537 446
	6 574 705	4 584 551
Property rates age analysis: All other Categories		
Current (0-30days)	633 349	446 744
31-60 days	109 273	104 779
61-90 days	84 383	65 937
91-120 days	72 872	86 076
> 121 days	12 235 156	3 932 047
	13 135 033	4 635 583
Credit quality of receivables from non-exchange transactions		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to historical trends and other available information.		
Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		
Allowance for impairment: Property rates		
Impairment balance prior year	(3 954 038)	(3 067 599)
Contributions to provision	(8 159 049)	(886 439)
	(12 113 087)	(3 954 038)
Property rates : Statutory		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009.		
No debt impairment is calculated on Statutory rates receivables as legal action is currently taken against Sanparks which owe the Municipality the biggest amount of R4,5m. Interest are charged at prime plus 1 percent which was at 30 June 2020, 8,25%.		
Other receivables		
Employees overpayment on backpay	231 831	231 831
Provision for bad debts: Employees overpayment	(231 831)	(231 831)
Insurance claims	17 121	17 121
Provision for bad debts: Insurance claims	(17 121)	(17 121)
Employee overpayments	50 714	50 714
SARS UIF paid for Councillors	150 674	150 674
SARS PAYE overpayment		110 996
Other		28 157
	201 388	340 541
Prior Period adjustment		
Balance as previously reported		201 388
Prior to 2019: Overpayment of PAYE to SARS during the tax years 2017 and 2018		110 996
Prior to 2019: Overpayment of salaries and allowances to Mayor BA Manxoweni for the period 2016 - 2018		28 157
		340 541
The amount of impairment for Property Rates was R 12 113 087 as at 30 June 2020 (2019: R 3 954 038).		
The amount of impairment for other receivables was R248 952 as at 30 June 2020 (2019: R248 952)		
Other receivables from non-exchange transactions is a financial assets at amortised cost.		
Other receivables from non-exchange transactions were not pledged as security.		
Other receivables from non-exchange transactions past due but not impaired		
The ageing of amounts for property rates past due but not impaired is as follows:		
1 month past due	526 708	297 594
2 months past due	101 874	146 846
3 months past due	74 043	59 229
Older than 3 months	6 666 846	4 615 373
	7 369 471	5 119 042
Other receivables from non-exchange transactions past due but not impaired		
Older than 3 months	201 388	201 388
	201 388	201 388

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
9 Trade receivables from exchange transactions		
Gross balances		
Electricity	29 359 822	24 952 068
Water	21 310 649	18 286 481
Sanitation	2 815 821	2 457 389
Sewerage	8 181 325	7 089 471
Refuse	15 376 905	13 173 569
Other	2 487 499	1 582 529
	79 532 021	67 541 507
Prior Period adjustment		
Balance as previously reported		67 480 260
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of water		22 180
Indigent subsidy incorrectly given to consumers in 2018/19 for Sewerage charges		15 300
Indigent subsidy incorrectly given to consumers in 2018/19 for Refuse removal charges		23 767
		67 541 507
Trade receivables pledged as security		
Trade receivables were not pledged as security.		
Trade receivables is a financial assets at amortised cost.		
Less: Allowance for impairment		
Electricity	(7 263 968)	(6 054 274)
Water	(15 505 669)	(13 590 174)
Sanitation	(2 476 077)	(2 024 563)
Sewerage	(6 150 315)	(5 303 316)
Refuse	(12 023 417)	(10 325 864)
Other	(2 067 868)	(1 340 251)
	(45 487 314)	(38 638 442)
Net balance		
Electricity	22 095 854	18 897 794
Water	5 804 980	4 696 307
Sanitation	339 744	432 826
Sewerage	2 031 010	1 786 155
Refuse	3 353 488	2 847 705
Other	419 631	242 278
	34 044 707	28 903 065
Electricity		
Current (0 -30 days)	13 067 628	10 479 433
31 - 60 days	1 658 754	1 829 141
61 - 90 days	1 238 664	1 326 604
91 - 120 days	1 781 525	1 153 920
>121 days	11 613 251	10 162 970
	29 359 822	24 952 068
Water		
Current (0 -30 days)	2 454 546	1 844 091
31 - 60 days	473 243	687 664
61 - 90 days	520 690	430 473
91 - 120 days	443 327	406 000
>121 days	17 418 843	14 918 253
	21 310 649	18 286 481
Sanitation		
Current (0 -30 days)	47 312	47 885
31 - 60 days	26 684	25 090
61 - 90 days	26 590	24 906
91 - 120 days	26 264	24 809
>121 days	2 688 971	2 334 699
	2 815 821	2 457 389

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
9 Trade receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	727 896	739 954
31 - 60 days	272 112	241 622
61 - 90 days	228 809	190 883
91 - 120 days	196 841	166 590
>121 days	6 755 667	5 750 422
	8 181 325	7 089 471
Refuse		
Current (0 -30 days)	1 101 423	1 090 789
31 - 60 days	407 640	362 164
61 - 90 days	365 503	303 474
91 - 120 days	329 404	284 850
>121 days	13 172 935	11 132 292
	15 376 905	13 173 569
Other		
Current (0 -30 days)	51 276	32 709
31 - 60 days	24 087	15 213
61 - 90 days	31 235	19 103
91 - 120 days	38 166	11 755
>121 days	2 342 735	1 503 749
	2 487 499	1 582 529
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	17 450 081	14 234 861
31 - 60 days	2 862 520	3 160 894
61 - 90 days	2 411 491	2 295 443
91 - 120 days	2 815 527	2 047 924
>121 days	53 992 402	45 802 385
	79 532 021	67 541 507
Less: Allowance for impairment	(45 487 314)	(38 638 442)
	34 044 707	28 903 065
Reconciliation of debt impairment provision		
Balance at beginning of the year	(38 638 442)	(29 927 610)
Contributions to provision	(11 434 464)	(14 367 753)
Nett debt impairment written off against provision (Debt written off less reversal of write offs)	4 585 592	5 656 921
	(45 487 314)	(38 638 442)
Fair value of trade receivables from exchange transactions		
Trade receivables from exchange transactions	34 044 707	28 903 065
Trade receivables impaired		
As at 30 June 2020, consumer debtors of R4 585 592 (2019: R 5 656 921) were impaired and provided for. The amount of the provision was R45 487 314 as at 30 June 2020 (2019: R 38 638 442).		
Trade receivables from exchange transactions past due but not impaired		
The ageing of amounts for exchange transactions past due but not impaired is as follows:		
1 month past due	9 036 370	7 803 960
2 months past due	2 344 532	2 530 455
3 months past due	1 883 456	1 764 395
Older than 3 months	5 864 019	5 107 008
	19 128 377	17 205 818
Credit quality of receivables from exchange transactions		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical trends and other available information. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
10 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 236	3 762
Bank balances	8 978 321	3 559 286
Short-term deposits	901 880	24 071 649
	9 882 437	27 634 697
Prior Period adjustment		
Balance as previously reported		27 624 417
Cancelled cheques for motor vehicle licence fees incorrectly included in Bank account reconciliation		10 280
		27 634 697

No restrictions exist with regard to the use of cash.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

The municipality had the following bank accounts

Account number / description

	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank notice deposit 40101012502						
ABSA Bank - Fixed deposit - 2053825035	7 500	7 500	7 500	7 500	7 500	7 500
Nedbank - Money market - 1263036023	2 844	3 138	3 798	2 844	3 138	3 798
Nedbank - Fixed deposit - 18312491	4 600	4 600	4 600	4 600	4 600	4 600
Nedbank - Money market - 1263034756	84 802	82 175	79 516	84 802	82 175	79 516
ABSA - Cheque account - 2200000008	785 991	618 256	193 869	785 991	622 978	193 869
FNB - Cheque account - 62541421046	8 157 636	2 930 681	847 424	8 192 330	2 936 308	868 575
FNB - Call account - 6259597005	802 134	23 974 236	60 942	802 134	23 974 236	60 942
Total	9 845 507	27 620 586	1 197 649	9 880 201	27 630 935	1 218 800

The municipality has a guarantee at ABSA bank to the value of R6 000 (2019: R6 000) relating to the personal bonds of one municipal employee.

			2020 R	2019 R (Restated)		
11 Investment property						
	Cost/ Valuation	2020 Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	2019 Accumulated depreciation/ impairment	Carrying Value
	R		R	R		R
Investment property	25 847 149	(651 236)	25 195 913	25 850 799	(592 033)	25 258 766

		Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
		R	R	R	R	R	R	R
Investment properties:	Land	19 461 698		(3 650)				19 458 048
	Farms	4 613 000						4 613 000
	Buildings	1 184 068				(59 203)		1 124 865
		25 258 766		(3 650)		(59 203)		25 195 913

		Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
		R	R	R	R	R	R	R
Investment properties:	Land	19 466 998		(5 300)				19 461 698
	Farms	4 613 000						4 613 000
	Buildings	1 243 271				(59 203)		1 184 068
		25 323 269		(5 300)		(59 203)		25 258 766

Direct operating expenses arising from investment property that generated rental revenue: Rnil (2019: Rnil)

No investment property have been pledged as security for loans

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
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12 Property, plant and equipment

	Cost/ Valuation	2020 Accumulated depreciation/ impairment	Carrying Value	Cost/ Valuation	2019 Accumulated depreciation/ impairment	Carrying Value
	R	R	R	R	R	R
Land	20 129 272		20 129 272	20 129 272		20 129 272
Buildings	152 647 495	(89 029 672)	63 617 823	152 647 495	(85 631 804)	67 015 691
Plant and equipment	4 204 479	(1 844 762)	2 359 717	3 175 080	(1 427 983)	1 747 097
Furniture and fixtures	4 546 166	(4 113 768)	432 398	4 537 757	(3 976 205)	561 552
Motor vehicles	17 495 179	(11 715 380)	5 779 799	17 486 920	(9 791 501)	7 695 419
Office equipment	7 262 240	(6 170 669)	1 091 571	7 147 051	(5 390 466)	1 756 585
Infrastructure	996 200 346	(535 023 703)	461 176 643	942 532 632	(511 012 280)	431 520 352
WIP	74 374 110	-	74 374 110	82 641 198		82 641 198
Landfill sites	17 994 300	(12 183 769)	5 810 531	17 994 300	(11 538 155)	6 456 145
Total	1 294 853 587	(660 081 723)	634 771 864	1 248 291 705	(628 768 394)	619 523 311

Prior Period adjustment

Balance as previously reported

618 578 501

Adjust depreciation calculation on Finance leases for 2019 after correction of cost prior to 2019

491 573

Adjust disposal of assets in 2019 - Motorvehicle cost

(62 865)

Adjust Work in Progress - invoice dated June 2019 but work was only completed in August 2019 - Sportfields upgrading

(325 946)

Prior to 2019: Correcting of 2 motorvehicles not included in assets register - carrying value on 1 July 2019

77 785

Prior to 2019: Correcting of the original cost of finance leases of Compactor and Grader - carrying value on 1 July 2019

764 263

619 523 311

Reconciliation of Work in Progress (WIP) - 2020

	Opening balance	Additions	Transfers	Total
	R	R	R	R
Infrastructure assets	79 753 825	44 327 422	(53 118 538)	70 962 709
Community assets	2 642 253	470 188		3 112 441
Other Assets		12 484	(12 484)	
PPE - Buildings	245 120	53 840		298 960
	82 641 198	44 863 934	(53 131 022)	74 374 110

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Maintenance of assets (Note 36)

2020
995 3152019
1 155 528

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20 129 272						20 129 272
Buildings	67 015 691				(3 397 868)		63 617 823
Plant	1 747 098	1 039 109	(22 194)	12 484	(413 028)	(3 751)	2 359 718
Furniture and fixtures	561 552	8 409			(134 046)	(3 517)	432 398
Motor vehicles	7 695 420	8 259			(1 750 096)	(173 783)	5 779 800
Office equipment	1 756 585	140 989	(25 800)		(773 747)	(6 456)	1 091 571
Infrastructure	431 520 351	549 176		53 118 538	(24 011 423)		461 176 642
WIP	82 641 198	44 863 934		(53 131 022)			74 374 110
Landfill sites	6 456 145				(645 615)		5 810 530
Total	619 523 312	46 609 876	(47 994)	-	(31 125 823)	(187 507)	634 771 864

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
	R	R	R	R	R	R	R
Land	20 129 272						20 129 272
Buildings	70 459 354				(3 443 663)		67 015 691
Plant and equipment	734 758	1 196 829			(184 489)		1 747 098
Furniture and fixtures	745 116	10 310			(193 874)		561 552
Motor vehicles	10 798 059		(324 110)		(2 774 058)	(4 471)	7 695 420
Office equipment	2 377 285	128 869	(8 813)		(740 756)		1 756 585
Infrastructure	427 406 954			30 626 672	(26 513 275)		431 520 351
WIP	35 735 849	77 532 021		(30 626 672)			82 641 198
Landfill sites	7 101 761				(645 616)		6 456 145
Total	575 488 408	78 868 029	(332 923)		(34 495 731)	(4 471)	619 523 312

Assets subject to finance lease (Net carrying amount)

	2020	2019
Vehicles and Plant		760 946
Office equipment	174 224	589 587
	174 224	1 350 533

See note 17 on finance leases for assets held under finance lease.

No property, plant and equipment has been pledged as security for liabilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
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13 Intangible assets

	Cost/ Valuation	2020 Accumulated amortisation/ impairment	Carrying Value		Cost/ Valuation	2019 Accumulated amortisation/ impairment	Carrying Value
	R	R	R	R	R	R	R
Computer software	7 446	(2 483)	4 963	R	7 446	(621)	6 825

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	6 825	-	-	-	(1 862)	-	4 963

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
Computer software	-	7 446	-	-	(621)	-	6 825

Other information

Fully amortised intangible assets still in use

Certain computer software packages (not material to the municipality's operations) with finite useful lives which have been fully depreciated are still in use by the municipality to some extent.

14 Heritage assets

	Cost/ Valuation	2020 Accumulated amortisation/ impairment	Carrying Value		Cost/ Valuation	2019 Accumulated amortisation/ impairment	Carrying Value
	R	R	R	R	R	R	R
	458 067		458 067		458 067		458 067

Reconciliation of heritage assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458 067	-	-	-	-	-	458 067

Reconciliation of heritage assets - 2019

	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
	458 067	-	-	-	-	-	458 067

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
15 Employee benefit obligations		
15.1 Post-Employment Medical Aid		
Defined benefit plan		
The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.		
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.		
In-service members will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.		
All continuation members and their eligible dependents receive a subsidy of either 60% or 70%.		
Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same subsidy.		
All subsidies are subject to a maximum of R 4 773 for the year ending 30 June 2021. The maximum subsidy amount has been assumed to increase in the future at 75% of salary inflation.		
Principal assumptions		
Discount rate		
Grap 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefits payments, current market rates of the appropriate term should be used to discount shorter term payments and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.		
Consequently, a discount rate of 10,32% per annum has been used. The corresponding index-linked yield at this term is 4,71%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg stock after the market close on 30 June 2020.		
These rates were calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process.		
Financial assumptions		
Discount rate	10.32%	
Health care cost inflation rate	6.38%	
Net-of-health-care-cost-inflation discount rate	3.70%	
Maximum subsidy inflation rate	4.41%	
Net-of-maximum-subsidy-inflation discount rate	5.66%	
The next contribution rate increase is assumed to occur at 1 January 2021.		
Demographic assumptions		
Average retirement age	62 (males)/ 59 (Females)	
Continuation of membership at retirement	75%	
Proportion with a spouse dependant at retirement	60%	
Accrued liability Values		
Carrying value		
Opening Accrued Liability	21 941 541	22 655 931
Service cost	628 209	811 341
Interest cost	2 028 036	2 133 568
Benefits paid	(778 409)	(719 747)
Actuarial gain recognised in the year	(3 502 377)	(2 939 552)
Closing Accrued Liability	20 317 000	21 941 541
Non-current liabilities	19 385 000	21 097 556
Current liabilities (Estimate of benefits payments expected in the next annual period)	932 000	843 985
	20 317 000	21 941 541
The total liability has decreased by 7,4% (or R1 624 541) since the last valuation		
The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:		
Actuarial (Gain)/Loss for the period	(3 502 377)	
Contribution to Actuarial Gain:		
Basis changes: Increase in net discount rate	(3 604 000)	
Subsidy increases higher than assumed	321 000	
Changes to membership profile different from assumed	(153 801)	
Actual benefits vesting, lower than expected	(65 576)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
15.1 Post-Employment Medical Aid (continue)		
Net expense recognised in the statement of financial performance		
Current service cost	628 209	811 341
Interest	2 028 036	2 133 568
Benefits paid	(778 409)	(719 747)
Total included in employee related costs	1 877 836	2 225 162
Actuarial Gain recognised in statement of financial performance	(3 502 377)	(2 939 552)
	(1 624 541)	(714 390)
Estimate of contributions expected to be paid to the plan in the next financial year	(932 000)	(843 985)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		8.979	11.338	20.317	
Health care inflation	1%	9.900	12.115	22.015	8%
	-1%	7.997	10.509	18.506	-9%
Discount Rate	1%	7.826	10.365	18.191	-10%
	-1%	10.404	12.490	22.894	13%
Post-retirement mortality	1yr	8.769	11.031	19.800	-3%
	-1yr	9.182	11.642	20.824	2%
Average retirement age	-1yr	9.641	11.338	20.979	3%
Continuation of membership at retirement	-10%	7.813	11.338	19.151	-6%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2020

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		628 200	2 028 000	2 656 200	
Health care inflation	+1%	702 800	2 210 700	2 913 500	10%
	-1%	540 900	1 826 300	2 367 200	-11%
Discount Rate	+1%	527 200	1 980 300	2 507 500	-6%
	-1%	757 900	2 074 500	2 832 400	7%
Post-retirement mortality	-1yr	644 000	2 087 300	2 731 300	3%
Average retirement age	-1yr	638 600	2 103 500	2 742 100	3%
Continuation of membership at retirement	-10%	548 400	1 901 000	2 449 400	-8%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	20.418	21.741	22.656	21.942	20.317
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus/(Deficit)	(20.418)	(21.741)	(22.656)	(21.942)	(20.317)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Liabilities: (Gain)/Loss	(0.086)	1.502	(0.077)	(0.053)	0.102
Assets: Gain/(Loss)	0.000	0.000	0.000	0.000	0.000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
15.2 Long Service Awards (LSA)		
Defined benefit plan		
<p>The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive. In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. At 30 June 2020, the Municipality had 278 employees that are entitled to LSA.</p>		
Principal assumptions		
Discount rate		
<p>Grap 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.</p>		
<p>Consequently, a discount rate of 6,81% per annum has been used. The corresponding liability-weighted index linked yield is 3,61%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 30 June 2020.</p>		
<p>The liability-weighted average term of the total liability is 5.48 years.</p>		
Financial assumptions		
Discount rate	6.81%	
General salary inflation	3.61%	
Nett effective discount rate	3.09%	
<p>The salaries used in this valuation include an assumed increase on 1 July 2020 of 6.25%. The next contribution rate increase is assumed to occur at 1 July 2021.</p>		
Accrued liability Values		
Carrying value		
Opening Accrued Liability	4 351 610	4 284 162
Service cost	514 692	567 978
Interest cost	311 699	334 133
Benefit Vestings	(916 206)	(526 556)
Actuarial (gain) / loss recognised in the year	(17 795)	(308 107)
Closing Accrued Liability	4 244 000	4 351 610
Non-current liabilities	3 394 000	3 463 009
Current liabilities (Estimate of benefits payments expected in the next annual period)	850 000	888 601
	4 244 000	4 351 610
The total liability has decreased by 2% (or R107 610) since the last valuation		
<p>The extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current can be summarised in the following main components:</p>		
Actuarial (Gain)/Loss for the period	(17 795)	
Contribution to Actuarial (Gain)/Loss:		
Basis changes: Increase in net discount rate	(134 000)	
Salary increases higher than assumed	82 000	
Changes to employee profile different from assumed	6 600	
Actual benefits vesting, greater than expected	27 605	
Net expense recognised in the statement of financial performance		
Current service cost	514 692	567 978
Interest cost	311 699	334 133
Benefit Vestings	(916 206)	(526 556)
Total included in employee related costs	(89 815)	375 555
Actuarial Gain recognised in statement of financial performance	(17 795)	(308 107)
	(107 610)	67 448
Estimate of benefit vestings in the next financial year	(850 000)	(888 601)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020	2019
R	R
	(Restated)

15.2 Long Service Awards (LSA) (Continued)

Sensitivity analysis on the accrued liability (R millions)

Assumption	Change	Liability	% Change
Central Assumptions		4.244	
General salary inflation	1%	4.459	5%
	-1%	4.046	-5%
Discount Rate	1%	4.037	-5%
	-1%	4.474	5%
Average retirement age	2yr	4.784	13%
	-2yr	3.706	-13%
Withdrawal rates	x2	3.556	-16%
	x0.5	4.705	11%

Sensitivity analysis on Current-service and Interest Costs for the year ending 30/06/2020

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		514 700	311 700	826 400	
General salary inflation	1%	547 800	328 900	876 700	6%
	-1%	484 700	296 000	780 700	-6%
Discount Rate	1%	487 700	332 200	819 900	-1%
	-1%	544 900	288 600	833 500	1%
Average retirement age	2yr	563 800	353 800	917 600	11%
	-2yr	469 600	263 500	733 100	-11%
Withdrawal rates	x0.5	600 300	349 200	949 500	15%

History of liabilities, Assets and Experienced Adjustments (R millions)

Liability History	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	3.937	4.284	4.352	4.244
Fair value of plan asset	0.000	0.000	0.000	0.000
Surplus/(Deficit)	(3.937)	(4.284)	(4.352)	(4.244)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Liabilities: (Gain)/Loss	(0.128)	0.028	(0.075)	0.116
Assets: Gain/(Loss)	0.000	0.000	0.000	0.000

Total Employee benefit obligations

Post-Employment Medical Aid
Long Service Awards

20 317 000	21 941 541
4 244 000	4 351 610
24 561 000	26 293 151

Non-current liabilities
Current liabilities

22 779 000	24 560 565
1 782 000	1 732 586
24 561 000	26 293 151

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
16 Other financial liabilities		
Held at amortised cost		
Standard Bank	815 759	1 543 613
Absa Bank loans	-	3 129 322
	815 759	4 672 935
<p>A loan from ABSA was taken up on 5 June 2015 for R13 000 000 at a fixed interest rate of 9.62%. Installments of R1 675 282 will be semi-yearly payable for 5 years. The last installment was payable on 31 May 2020. This loan was funded from the MIG allocations.</p> <p>On 30 June 2016, a loan of R3 300 000 was also taken up from Standard Bank for the financing of vehicles purchased during the year at a fixed interest rate of 11.55%. Installments of R443 645 will be semi-yearly payable over five years. The last installment will be payable on 30 June 2021.</p> <p>No defaults or breaches or re-negotiations of the terms and conditions occurred during the year.</p> <p>The ABSA Bank loan has the following covenants applicable for the R13 000 000 loan:</p> <ol style="list-style-type: none"> 1. Consumer debtor's collection rate to be maintained at >65%, 2. Net cash from operating activities to interest bearing debt not to deteriorate below 60%, and 3. Total interest bearing debt to annual operating revenue not to exceed 40%. <p>The Standard Bank loan is not secured, but the following covenants are also applicable for the R3 300 000 loan:</p> <ol style="list-style-type: none"> 1. Debt to Revenue ratio: to be maintained at a level that is less than or equal to 50%. 2. Billings to collection rate to be maintained at a level that is greater than or equal to 87.3%. 3. Interest paid to total cost to be maintained at a level that is less than or equal to 7.5%. 		
Non-current liabilities		
At amortised cost	-	815 759
Current liabilities		
At amortised cost	815 759	3 857 176
	815 759	4 672 935
Opening Balance	4 672 935	8 183 207
Loan received		
Interest accrued	367 266	727 581
Payments	(4 224 442)	(4 237 853)
Closing Balance	815 759	4 672 935

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
17 Finance lease obligation		
Minimum lease payments due		
- within one year	232 411	1 094 386
- in second to fifth year inclusive	-	237 821
	232 411	1 332 207
less: future finance charges	(4 080)	(95 408)
Present value of minimum lease payments	228 331	1 236 799
Present value of minimum lease payments due		
- within one year	228 331	1 008 468
- in second to fifth year inclusive	-	228 331
	228 331	1 236 799
Non-current liabilities	-	228 331
Current liabilities	228 331	1 008 468
	228 331	1 236 799

It is municipality policy to lease certain plant and equipment under finance leases.

The average lease term was 3- 5 years and the average effective borrowing rate was between 9.30% and 9.55% for plant and 14.2% for office equipment. Interest rates are linked to prime at the contract date. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12. Property, plant and equipment for the carrying value of assets subject to finance lease.

There are no subleases

Defaults and breaches

There were no default during the period of principal, interest, sinking fund or redemption terms of loans payable.

18 Unspent Grants and receipts

Other grants	2 254 113	25 264 283
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Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as per the following table totalling R2 254 113,

Where conditions have been met, the amounts were recognised as revenue and is shown under the transfer columns per the following table.

The municipality complied with all the conditions attached to the grants / allocations.

These amounts are invested in a ring-fenced investment until utilised.

Grant description	Unspent balance 2019	Receipts	Adjustments / written off	Transfer operating expenditure	Transfer capital expenditure	Unspent balance 2020
Municipal Infrastructure Grant (MIG)		14 320 000		(716 000)	(13 604 000)	-
Water Service Infrastructure Grant (WSIG)	23 459 003	13 000 000			(36 459 003)	-
District Municipality: Infrastructure Grant	-	250 000			(193 228)	56 772
Finance Management Grant (FMG)	-	2 235 000		(2 235 000)	-	-
District Municipality: Youth and other tourism upgrades	422 518			(159 680)	-	262 838
Dr WH Craib Trust	13 015					13 015
District Municipality: Fire and Disaster	1 161 448	1 019 061		(276 421)	(998 610)	905 478
Depart Sport : Library admin cost		2 300 000		(2 300 000)		-
Expanded Public Works Programme (EPWP)		1 410 000		(1 410 000)		-
ACIP Water conservation	42 520					42 520
Integrated National Electrification Program (INEP)	-	410 000			(410 000)	-
Abafazi Rural Project (LED)	66 208					66 208
Resourcing Youth Centre (LED)	91 571					91 571
Covid-19 Disaster Grant		983 000		(106 171)	(69 118)	807 711
Moral Regeneration Movement Programme	8 000					8 000
Environmental Health Subsidy (SBDM)		832 550		(832 550)		-
ANC Councillors contribution towards Covid-19 pandemic		16 832		(16 832)		-
Equitable Share		53 519 000		(53 519 000)		-
	25 264 283	90 295 443	-	(61 571 654)	(51 733 959)	2 254 113

The municipality received certain grant allocations during the year from various public entities (amounts disclosed above per project / allocation) - these receipts / grant allocations had to be utilised for the following main purposes:

National Treasury (MIG, WSIG, Covid-19 & FMG) :	Upgrade of Infrastructure (MIG and WSIG) and building financial capacity and learnerships (FMG) as well as funds to assist with Covid-19.
Sarah Baardman District municipality:	Fire fighting, LED Projects and Infrastructure grants
Eastern Cape Department of Roads and Public Works:	Labour intensive projects to promote job creation for unemployed people (EPWP)
Department of Sport and Agriculture:	Administration cost for Libraries
INEP	Electricity upgrading

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
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19 Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	23 707 624		1 435 225	25 142 849
	23 707 624		1 435 225	25 142 849

Reconciliation of provisions - 2019

	Opening Balance	Additions	Adjustment for the year	Total
Environmental rehabilitation	21 353 969		2 353 655	23 707 624
	21 353 969		2 353 655	23 707 624

2020

2019

Non-Current liability

Amortised cost

25 142 849	23 707 624
25 142 849	23 707 624

Environmental rehabilitation provision

The above rehabilitation provision includes the three towns of Somerset East, Cookhouse and Pearston.

All landfill sites financial implications and valuations are determined in terms of Section 28 of the National Environmental Management Act, Act no. 107 of 1998.

There is no planning for closure and rehabilitation of the landfill sites within the next five years and this is likely to only commence around 2030.

The effective date of all valuations was 30 June 2020 and was done and certified by Mr. S Nel, Professional Engineer, from Bosch Munitech.

In Calculating the provision for rehabilitation, the following have been included:

Direct contract costs
Indirect Professional Fees
Indirect disbursements
Escalation

No rehabilitation has taken place on Cookhouse or Pearston landfill sites during the current year, while covering has partly taken place at Somerset East landfill site.

Fencing at Cookhouse (316m) and Pearston (621m) and Somerset East (121m) has been vandalised and needs replacing.

Monetary values for landfill sites at 30 June 2020:	Cookhouse	1 485 524
	Pearston	4 261 427
	Somerset East	19 395 898
		25 142 849

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
20 Payables from exchange transactions		
Trade payables	34 402 291	25 728 727
Payments received in advanced	952 305	711 883
Accrued leave pay	6 411 999	5 782 410
Accrued 13th cheque	1 928 120	1 925 496
Retention on Capital Projects	2 523 721	1 483 219
Previous employees of Dev Agency	813 694	813 694
Unidentified bank deposits	14 517	4 610
Councillors back pay	-	12 631
Deposits received (Town Hall & Chalets)	247 029	221 838
	47 293 676	36 684 508
Prior Period adjustment		
Balance as previously reported		36 735 524
Trade payables: Bytes service provider invoice for the implementation of new leave system duplicated		(36 560)
Trade Payables: North Field Engineering services invoice for hiring of generator during water crisis, not received at closing of year end 2019.		30 865
Trade Payables: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		3 583
Trade Payables: Back pay to T Hebe (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		13 401
Trade Payables: Invoice from Owenco for Capital expenditure incorrectly dated in June 2019. Work only delivered in August 2020		(374 838)
Prior to 2019: Back pay to T Hebe (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		8 756
Prior to 2019: Correction of 2 Councillors Back pay for 2016/17 (Manxoweni & Brown)		12 631
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		300 000
Prior to 2019: Final salary of employee (GN Ngqoza) who passed away in 2012, duplicated as expense in 2012 and again in 2018 with payment to the estate.		(8 854)
		36 684 508
21 Trade and other payables from non-exchange		
Trade and other: Principal-Agency arrangement	204 137	46 983
Reconciliation: Principal-Agency arrangement		
Opening balance	46 983	55 700
Total licence and transaction fees received from third parties	2 350 071	4 274 657
Total licence and transaction fees paid over to Principal (Department of Transport)	(2 192 917)	(4 283 374)
Closing balance	204 137	46 983
These liability relates to transactions between a Principal-Agent relationship of which the Municipality is the Agent for Department of Transport to issue motorvehicle licences to third parties. The Municipality receive agency fees of 19% of the total income. This revenue is included in note 25 and was an amount of R753 972 (2019: R1 013 340). The fees are paid over to the Principal (Department of Transport) on a weekly basis. The outstanding amount at year end were paid over during the first week in July 2020.		
22 VAT payable		
VAT	4 027 963	2 298 371
Prior period adjustment		
Balance previously reported		2 280 343
Indigent subsidy incorrectly given to consumers in 2018/19 for Service charges		7 990
Payables: Bytes service provider invoice for the implementation of new leave system duplicated		4 769
Trade Payables: Invoice from Owenco for Capital expenditure incorrectly dated in June 2019. Work only delivered in August 2020		48 892
Trade Payables: North Field Engineering services invoice for hiring of generator during water crisis, not received at closing of year end 2019.		(4 026)
Trade Payables: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		(467)
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		(39 130)
		2 298 371
VAT is payable on the receipts basis. VAT is claimed from and paid over to SARS only once payment is made on a tax invoice or payment is received from debtors.		
23 Consumer deposits		
Electricity & water	2 733 983	2 673 592
24 Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
	Financial liabilities at amortised cost	
2020		
Other financial liabilities		(815 759)
Finance lease		(228 331)
Trade and other payables from non-exchange		(204 137)
Payables from exchange transactions		(39 929 372)
		(41 177 599)
2019		
Other financial liabilities		(4 672 935)
Finance lease		(1 236 799)
Trade and other payables from non-exchange		(46 983)
Payables from exchange transactions		(30 190 215)
		(36 146 932)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
25 Revenue		
Property rates	21 550 618	13 222 692
Service charges	132 834 148	119 817 169
Rental of facilities and equipment	712 659	495 142
Interest earned - outstanding debtors	5 542 512	4 491 891
Interest earned - external investments	1 389 562	2 052 498
Agency Services - Provincial	753 971	1 013 340
Fines	162 231	125 798
Licences and permits	396 517	540 216
Transfers and Subsidies	113 305 613	145 657 745
Gain on disposal of assets	-	78 272
Other revenue	1 757 694	1 937 233
	278 405 525	289 431 996
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	132 834 148	119 817 169
Rental of facilities & equipment	712 659	495 142
Interest earned - outstanding debtors	5 542 512	4 491 891
Interest earned - external investments	1 389 562	2 052 498
Agency Services - Transaction handling fees	753 971	1 013 340
Gain on disposal of assets		141 137
Miscellaneous other revenue	1 757 694	1 937 233
	142 990 546	129 948 410
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	21 550 618	13 222 692
Fines	162 231	125 798
Licences and permits	396 517	540 216
Transfers and Subsidies	113 305 613	145 657 745
	135 414 979	159 546 451

Collectability of amounts

At the time of initial recognition of revenue it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods and services will not occur due to the fact that the municipality has an obligation to collect all revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
26 Property rates		
Revenue	10 309 074	2 192 174
Agricultural (Game farms included)	2 436 247	1 510 059
Bussiness & Commercial		511
Statutory Rates - Infrastructure	5 168 083	5 800 789
Statutory Rates - All Other departments	3 637 214	3 719 159
Residential	21 550 618	13 222 692
	2019	2012
Valuations	7 898 553 495	3 097 974 300
Agricultural (Game farms included)	293 584 365	134 185 250
Bussiness & Commercial	-	1 521 300
Statutory - Infrastructure		
Statutory - All Other departments	610 553 436	481 737 100
Residential	619 573 180	334 207 300
Government - Other	9 422 264 476	4 049 625 250
Statutory property rates		
Rates are charged on Statutory properties according to the Property Rates Act nr 6 of 2004. Reading together with Government Gazette nr 32061 dated 27 March 2009. The tariffs of all property rates as well as the valuation date are disclosed hereunder.		
Valuation and tariffs		
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be done on 1 July 2023		
Rates are levied on an annual basis with the final date for payment being 30 June 2020 (30 June 2019). Interest at prime plus 1% per annum (2019:prime plus 1% per annum), is levied on rates outstanding one month after due date.		
A general rate of 0.0005 for agricultural properties, 0.008361 for business properties, 0.007146 for residential properties, 0.000 for government infrastructure properties and 0.008361 for government properties is applied to property valuations to determine assessment rates (2019: 0.00071 - agricultural properties, 0.01126 - business properties, 0.00963 - residential properties, 0.01742 - government properties and 0.00048 for Government infrastructure). Rebates of the first R15 000 on the value of residential properties and the first 30% on the value of government infrastructure properties are granted. (2019: R15 000 - residential properties and 30% government infrastructure).		
27 Service charges		
Sale of electricity	107 729 057	93 718 568
Sale of water	12 689 436	13 920 910
Sewerage and sanitation charges	5 159 728	5 050 053
Refuse removal	7 255 927	7 127 638
	132 834 148	119 817 169
Prior Period adjustment		
Balance as previously reported		119 763 911
Indigent subsidy incorrectly given to consumers in 2018/19 for Sale of water		19 287
Indigent subsidy incorrectly given to consumers in 2018/19 for Sewerage charges		13 304
Indigent subsidy incorrectly given to consumers in 2018/19 for Refuse removal charges		20 667
		119 817 169
Electricity losses		
Units	15 976 687	17 655 264
Amount	R 12 501 876	R 11 900 341
Percentage	20%	22%
Water losses		
Units	401 905	603 046
Amount	2 411 430	3 413 240
Percentage	24%	30%
28 Investment revenue		
Interest revenue		
Sporting and Other bodies	69	242
Bank Accounts	1 389 493	2 052 256
	1 389 562	2 052 498
The amount of R1 389 562 (2019: R2 052 498) is included under revenue arising from exchange transactions		
29 Transfers and Subsidies		
Equitable share	53 519 000	49 012 000
Government grant - MIG	14 320 000	14 117 000
Government grant - FMG	2 235 000	1 770 000
Government grant - WSIG	36 459 003	68 840 997
Government grant - EPWP	1 410 000	1 000 000
Government grant - Covid-19	175 289	
Government grant - INEP	410 000	6 000 000
Provincial Grants (Library)	2 300 000	
Sarah Baardman District Municipality	2 460 489	4 892 531
Non-Profit Institutions	16 832	25 217
	113 305 613	145 657 745
30 Other revenue		
Incidental Cash surpluses	11 146	3 373
Commission: Transaction Handling Fees	177 959	175 144
Insurance Refund	16 000	95 499
Skills Development Levy Refund	178 118	161 989
Bad debts recovered	6 059	4 119
Sub-division and Consolidation	6 724	121 205
Building plan approvals	435 558	337 109
Burial Fees	83 744	84 508
General/Other	340 130	352 745
Library Fees	8 326	13 925
Camping Fees	69 741	84 928
Connection/Reconnection Fees	424 189	502 689
	1 757 694	1 937 233

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
31 Employee related costs		
Basic Salary and Wages	55 974 581	54 390 779
Bonuses	4 531 700	4 298 047
Social Contributions - Medical	3 194 827	2 923 019
Social Contributions - Group Life Insurance	1 931	2 106
Social Contributions - Unemployment Insurance	456 028	459 955
Social Contributions - Bargaining council	33 188	31 769
Social Contributions - Pension	8 998 940	8 604 186
Overtime	3 321 232	3 838 228
Other allowances: Non-Pensionable	3 827 951	3 452 296
Leave Gratuity	1 220 012	802 678
Post-retirement benefits - Medical : Past Service Cost	(150 200)	91 594
Long Term Service Awards: Past Service Cost	(401 514)	41 422
Post-retirement benefits - Medical : Interest Cost	2 028 036	2 133 568
Long Term Service Awards: Interest Cost	311 699	334 133
Less: Recharges to Capital Works	(223 531)	(1 906 420)
	83 124 880	79 497 360
Prior Period adjustment		
Balance as previously reported		79 483 959
HR Clerk (T Hebe paid incorrectly on task grade 5 that should be taskgrade 6)		13 401
		79 497 360
Section 56 Senior Managers: Total cost per position		
Municipal Manager	1 380 050	1 281 862
Chief Financial Officer	1 105 084	1 072 836
Director: Corporate Services (Vacant from 1 December 2019 to 30 June 2020)	524 308	954 013
Director: Community Services	1 139 195	1 098 280
Director: Technical Services (Vacant from 1 July 2018 to 31 May 2019)	1 100 950	108 432
	5 249 587	4 515 423
Remuneration of municipal manager		
Thabiso Klaas		
Annual Remuneration	1 172 285	1 110 670
Car Allowance	120 000	120 000
Remote Allowance	51 767	49 302
Contributions to UIF, Medical and Pension Funds	1 896	1 890
	1 345 948	1 281 862
Acting allowances paid:		
M Planga	34 102	
	1 380 050	1 281 862
Remuneration of chief finance officer		
Nigel Delo		
Annual Remuneration	940 684	868 504
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 896	23 492
Remote Allowance	42 504	40 480
Acting Allowance - Municipal Manager		20 360
Leave pay out		
	1 105 084	1 072 836
Remuneration of Director - Corporate services (Vacant from 1 December 2019 to 30 June 2020)		
Lineo Khanjeni		
Annual Remuneration	267 482	718 813
13th Cheque structured from package	57 942	
Remote Allowance	13 493	39 961
Contributions to UIF, Medical and Pension Funds	48 779	119 307
	387 696	878 081
Acting allowances paid:		
M Gush	45 377	7 351
PM Blouw	91 235	66 740
N Mbebe		1 841
	524 308	954 013
Remuneration of Director - Community services		
Mandisi Planga		
Annual Remuneration	902 877	852 284
Car Allowance	157 817	157 817
Remote Allowance	42 503	40 480
Acting Allowance - Municipal Manager	34 102	45 809
Contributions to UIF, Medical and Pension Funds	1 896	1 890
	1 139 195	1 098 280
Remuneration of Director - Technical Services (Vacant from 1 July 2018 to 31 May 2019)		
Ayanda Gaji		
Annual Remuneration	752 782	59 285
Car Allowance	120 000	10 000
Remote Allowance	42 503	3 373
Contributions to UIF, Medical and Pension Funds	185 665	15 048
	1 100 950	87 706
Acting allowances paid:		
N Dlova		18 248
V Appolis		2 478
	1 100 950	108 432

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2020 R	2019 R (Restated)
32 Remuneration of councillors			
Mayor:	BA Manxoweni	851 924	818 918
		851 924	818 918
Chairperson: MPAC	NP Nkonyeni	371 767	359 175
Chairperson: Corporate Services	M Kwatsha	371 767	359 175
Chairperson: Community Services	A Hufkie	369 668	359 175
Chairperson: Infrastructure	T Grootboom	371 767	359 175
		1 484 969	1 436 700
Councillor	KC Brown	299 491	289 680
Councillor	P Sonkwala	299 304	289 680
Councillor	J Martin	299 491	289 680
Councillor	F Brown	299 491	289 680
Councillor	C Du Plessis	50 984	289 680
Councillor	C Nel	165 610	
Councillor	T Xakaxa	299 465	289 680
		1 713 836	1 738 080
Total of all Councillors		4 050 729	3 993 698

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
33 Debt impairment		
Allowance for impairment	19 593 513	15 254 192
Debts written off	3 687 060	4 198 691
	23 280 573	19 452 883
34 Finance costs		
Overdue accounts		10 684
Annual Loans	367 265	727 582
Finance leases	85 919	216 357
Interest cost - Landfill sites liability	1 435 225	2 353 655
	1 888 409	3 308 278
Interest expense is calculated using the effective interest rate.		
35 Bulk purchases		
Eskom -Electricity	91 516 179	78 949 756
Water	1 080 834	1 042 737
	92 597 013	79 992 493
36 Contracted Services		
Business and Advisory - Valuer and Assessors	70 279	444 758
Connection/Dis-connection - Electricity	39 057	357 840
Laboratory Services	23 772	18 560
Consultants and Professional Services - Legal Cost	688 446	416 524
Outsourced Services - Drivers Licence Cards	90 364	116 206
Contractors - Safeguard and Security	1 381 004	1 893 517
Contractors - Transportation	1 200	
Outsourced Services - Business and Advisory	3 312 084	3 581 521
Outsourced Services - Medical Services	-	1 193
Contracted Services - Electrical Services	59 639	
Contracted Services - Maintenance of Equipment	140 697	
Contracted Services - Maintenance of Transport and unspecified assets	854 618	1 155 528
	6 661 160	7 985 647
Prior Period adjustment		
Balance previously reported		8 014 322
Outsource services - Business and Advisory: Bytes service provider invoice for the implementation of new leave system duplicated		(31 791)
Contracted Services: Lexis Nexis Traffic subscription fees invoice not received but contract was still in place		3 116
		7 985 647
37 Inventory Consumed		
Consumables - Standard Rated	2 875 496	3 419 625
Consumables - Zero Rated (Fuel)	2 392 091	2 558 802
	5 267 587	5 978 427
38 Transfers and Subsidies		
Non-Profit Institutions - Other		8 960
South African Local Government Association	841 086	829 800
	841 086	838 760

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
39 Operational Cost		
Advertising, Publicity and Marketing and Tenders	178 071	248 663
External Audit Fees	3 153 073	3 674 748
Bank charges, Facility and card fees	122 091	110 538
Entertainment	127 118	129 884
Insurance Underwriting: Premiums	1 012 924	892 981
Insurance Underwriting: Excess payments	4 290	15 749
Registration Fees - Seminars, Conferences, Workshops	17 913	28 939
Hire Charges	92 985	149 786
Printing, Publications and Books	791 968	758 771
Uniform and Protective clothing	437 719	466 642
Telephone, Fax, Telegraph and Telex	2 325 936	2 218 329
Courier and Delivery Services	749	1 155
Deeds	20 512	10 817
Licences - Radio and Television	-	2 609
Licences - Motor Vehicle Licence and Registration	175 584	219 048
Remuneration to Ward Committee	685 348	646 130
Workmen's Compensation Fund	475 175	480 495
Professional Bodies, Membership and subscriptions	27 551	
Skills Development Levy	698 924	806 151
Travel and Subsistence	1 368 695	1 486 501
Assets less than capitalisation Threshold	1 247	3 856
External Computer Services - Software Licences	641 166	483 426
Transport provided as part of events	14 700	27 593
Communications: Satellite Signals	-	9 013
Recharges to Capital Projects	-	(506 005)
	12 373 739	12 365 819
Prior Period adjustment		
Balance previously reported		12 349 259
Cancelled cheques for motor vehicle licence fees incorrectly included in Bank account reconciliation		(10 280)
Hire Charges: Northfield Engineering invoice for hiring of a generator during water crisis, not received at closing of year end 2019		26 840
		12 365 819
40 Auditors' remuneration		
Audit Fees	3 153 073	3 674 748
An amount of R348 443 was outstanding at 30 June 2020 and paid in July 2020		
41 Net cash flows from operating activities		
Surplus/(deficit)	20 425 924	44 706 264
Adjustments for:		
Depreciation and amortisation	31 374 395	34 560 026
(Gain) / Loss on sale of assets and liabilities	40 202	(78 272)
Finance costs (finance leases)	85 919	216 357
Debt impairment	23 280 573	19 452 883
Movement in retirement benefit assets and liabilities	(1 624 541)	(714 390)
Movement in Long Service Awards Liability	(107 610)	67 448
Movements in provisions	1 435 225	2 353 655
Changes in working capital:		
(Increase)/decrease in inventories	91 594	(270 726)
(Increase)/decrease in other receivables from exchange transactions	(139 443)	(98 334)
(Increase)/decrease in other receivables from non-exchange transactions	(10 350 451)	(1 214 457)
(Increase)/decrease in Trade receivables from exchange transactions	(20 263 166)	(23 550 997)
Increase/(decrease) in payables from exchange transactions	10 609 168	11 655 619
Increase/(decrease) in VAT payable	1 729 592	(81 996)
Increase/(decrease) in trade and other payables from non-exchange	157 154	(375 362)
Increase/(decrease) in unspent conditional grants and receipts	(23 010 170)	23 281 311
Increase/(decrease) in consumer deposits	60 391	94 829
	33 794 756	110 003 858

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
42 Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Infrastructure related projects	24 956 190	34 762 366
	24 956 190	34 762 366

This committed expenditure relates to Infrastructure projects and will be financed by Government Grants.

Operating leases - as lessee (expense)

No operating leases were paid for in the 2019 financial year.

Operating leases - as lessor (income)

Certain of the municipality's property is held to generate rental income. No lease agreements are in place and tenants rent the respective properties on a month to month basis. There are no contingent rents receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
43 Contingencies		
<u>Contingent liabilities</u>		
<u>Matter: Blue Crane Route Municipality vs G Sammy</u>		
2018/19		
Ms Sammy has lodged a referral with the Labour Court in April 2014 demanding payment to her of the sum of R38 428, being alleged amounts due in respect of remuneration. The Municipality is awaiting a response from the Applicant's attorneys with regard to the pre-trial Minute forwarded to their offices. It is anticipated that further costs will amount to approximately R100 000 which does not include the cost associated with any cost order and/or compensation the former employee may become entitled should she be successful.		
2019/20		
No further progress. The lawyers of the Municipality closed their files on this case but will open again if further instructions are received. This matter will now be taken off from contingent liabilities in 2020/21,		
<u>Matter: Blue Crane Route Municipality vs Y Qola</u>		
2018/19		
Ms Qola benefitted from the municipal financial scheme in April 2017 and immediately after graduating she resigned. The Municipality deducted this amount from her leave days and she referred the matter to her lawyers. The Municipality have responded to her attorneys and there has been no further action. The amount involved is R20 238.		
2019/20		
No further progress. This matter will no be taken off from contingent liabilities in 2020/21,		
<u>Matter: Blue Crane Route Municipality vs R Brown</u>		
2018/19		
Mr Brown claim from the Municipality an amount of R46 216 for repairs done on a common boundary. In the Magistrate Court it was found that the Magistrate has no jurisdiction to adjudicate the amount of the debt and that the proper way to settle the debt is by way of declaring a dispute in terms of section 29 of the Fencing Act no 31 of 1963. A letter was received from Mr Brown's attorney's requested to refer the dispute a Board to be appointed. The Municipality still considering this request.		
2019/20		
The Council decided to approve this liability but a further claim was received from Mr Brown for interest. Council resolved on a Council meeting dated August 2020 that management should settle this matter with R Brown, by way of further negotiations and not incurring further legal costs.		
<u>Matter: Blue Crane Route Municipality vs G Kameel</u>		
2018/19		
G Kameel lodged an application for eviction against the first respondent, Kenny Mahlatini from erf 134. To date the Municipality still awaiting further correspondence from the first respondent's attorneys.		
2019/20		
No further progress. This matter will no be taken off from contingent liabilities in 2020/21,		
<u>Matter: Blue Crane Route Municipality vs Municipal Workers Retirement Fund (MWRFF)</u>		
2018/19		
The effected workers are claiming an amount of R2 686 022 for the Council's contributions that was less than what it should be towards the retirement fund for the period July 2007 to June 2013. The employees also need to contribute an additional amount of R1 111 246 for the same period of time. Since 1 July 2013, the correct contributions were paid over to the fund. This claim of back-pay re-surfaced in May 2016. This claim could have prescribed as at 1 July 2017 (after three years). Council still needs to resolve this matter.		
2019/20		
Council took a decision to object against the back-pay claim from SAMWU provident fund of around R16 940 819 (Interest included). This matter went to the High Court in August 2020. Council is currently waiting the decision from the Judge. The Municipality attorneys still feel confident about the prospects of not paying the back pay amounts.		
<u>Matter: Blue Crane Route Municipality vs S Madlanga (Former employee)</u>		
2019/20		
Mr Madlanga was found guilty on three charges of misconduct and dismissed on 16 July 2019. Mr Madlanga opposed the matter and its referred to the labour court. It is anticipated that further cost proceeding with the review in the labour court will amount to approximately R80 000. This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.		
<u>Matter: Blue Crane Route Municipality vs FW Lengosa (Former employee)</u>		
2019/20		
Mr Lengosa was dismissed during 2006 after being found guilty of misconduct in that he failed to conduct himself with honesty and integrity. Mr Lengosa has applied to the Labour Court for condonation of the late filing of the application and also an order that the sanction and letter of contract termination be set aside and that he is paid compensation for four years and seven months. The Municipality opposed the application. It is anticipated that further cost associated with the defending of the claim will amount to approximately R40 000. This does not include the cost associated with any cost order and/or compensation to which the former employee may become entitled should he be successful in his claim.		
<u>Contingent assets</u>		
<u>Matter: Blue Crane Route Municipality vs Autumn Star/Claassen</u>		
2018/19		
The matter is on going. The Municipality's prospects of success remains strong and should be able to obtain an order for repayment of approximately R1 561 737 (Autumn Star) and R3 602 190 (Claassen). New court dates has been made.		
2019/20		
No further progress. Awaiting new court dates.		
<u>Matter: Blue Crane Route Municipality vs A Swanepoel</u>		
2018/19		
The Municipality appeal was successful, but Bill of costs has not been taxed yet. The total claim amount is R50 000. The file of Mr Swanepoel has been forwarded to the Cost Consultant after which the file will be returned to the Municipality. No further progress. The file of Mr Swanepoel is still outstanding.		
2019/20		
No further progress. The file of Mr Swanepoel is still outstanding.		
<u>Matter: Blue Crane Route Municipality vs P January</u>		
2018/19		
P January was employed at the Municipality and resigned on 31 March 2017. After she left it was discovered that salary was paid while her sick leave was exhausted. The possible overpayment is according the Municipality's calculation approximately R170 000. The Municipality tried to recover this from the pension fund but was unsuccessful. An application is in process with the legal presentation. This matter has been withdrawn by the Municipality attorneys for internal investigation. If the Municipality decide to proceed with this matter, further anticipated cost will be approximately R60 000.		
2019/20		
No further progress. The lawyers of the Municipality closed their files on this case but will open again if further instructions are received. This matter will no be taken off from contingent liabilities in 2020/21,		
<u>Matter: Blue Crane Route Municipality vs Santam Insurance Limited</u>		
2018/19		
The Municipality received an amount of R1 500 000 for the recovery of the cost paid to the claimants injured in a truck accident. The Municipality won the case with costs. The attorneys must therefore still recover the cost from Santam.		
2019/20		
The Municipality's attorneys are still following up with payment of bill of costs.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
44 Related parties		
Contracts awarded to suppliers in the service of the state		
Norotype (PTY)LTD , child of Employee (C Malambile) from Department of Health	9 994	7 920
Ebusha General Trading (Director's daughter employed by the Provincial Department)	28 224	77 102
Contracts awarded to close family members		
Ezithathwini Pty Ltd (Owner is sister of Councillor NP Yantolo)	6 000	7 675
Culiso Trading (PTY)LTD (Brother of Employee J Vongo)	9 720	11 936
Lwandif Catering (PTY) LTD (Sister of Employee N Blignaut)	12 000	4 720
PJA Jordaan Transport (Child of Employee M Jordaan)	9 040	2 000
Sibabbawe Catering (PTY)LTD (Spouse of Employee FN Hermanus)	2 500	
Ungubengcuka Construction (Spouse of Employee A Ntshudu)	10 000	
No awards made to Section 56 and other Councillors, except as per notes 31 and 32		
Councillors:		
BA Manxoweni	Mayor:	
NP Nkonyeni	Chairperson: MPAC	
KC Brown	Councillor	
P Sonkwala	Councillor	
J Martin	Councillor	
F Brown	Councillor	
C Du Plessis	Councillor	
A Hufkie	Chairperson: Community Services	
T Grootboom	Chairperson: Infrastructure	
M Kwatsha	Chairperson: Corporate Services	
T Xakaxa	Councillor	
C Nel	Councillor	
Section 56 managers:		
T Klaas	Municipal Manager	
NB Delo	Chief Financial Officer	
L Nkanjeni	Director: Corporate Services	
M Planga	Director: Community Services	
A Gaji	Director: Technical Services	
Acting Senior Managers:		
N Dlova	Acting Director: Technical Services	18 248
V Appolis	Acting Director: Technical Services	2 478
PM Blouw	Acting Director: Corporate Services	66 740
M Gush	Acting Director: Corporate Services	7 351
N Mbebe	Acting Director: Corporate Services	1 841
45 Prior period adjustments		
During the preparation of the municipality's annual financial statements, a number of prior period errors (periods before 2019), affecting various balances were noted. These errors were corrected retrospectively.		
The correction of the error(s) results in adjustments as follows:		
Other receivables from non-exchange transactions (Note 8)		
Prior to 2019: Overpayment of PAYE to SARS during the tax years 2017 and 2018		(110 996)
Prior to 2019: Overpayment of salaries and allowances to Mayor BA Manxoweni for the period 2016 - 2018		(28 157)
		(139 153)
Property, plant and equipment (Note 12)		
Prior to 2019: Finance lease assets incorrectly calculated on depreciation and cost plus 2 additional vehicles not included in assets register		(842 048)
		(842 048)
Payables from Exchange transactions (Note 20)		
Prior to 2019: Back pay to T Hebe (HR Clerk) for incorrect taskgrade - paid on taskgrade 5 but should be taskgrade 6		8 756
Prior to 2019: Correction of 2 Councillors Back pay for 2016/17 (Manxoweni & Brown)		12 631
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		300 000
Prior to 2019: Final salary of employee (GN Ngqoza) who passed away in 2012, duplicated as expense in 2012 and again in 2018 with payment to the estate.		(8 854)
		312 533
VAT payable (Note 22)		
Prior to 2019: - Trade Payables: Amatola Water - Settlement of cost for the Refurbishment of Water Treatment Works as invoices was disputed previously		(39 130)
		(39 130)
Accumulated surplus adjustments (Earlier than 2019)		
Other receivables from non-exchange transactions		139 153
Property, plant and equipment		842 048
Payables from exchange transactions		(312 533)
VAT payable		39 130
		707 798
Prior period adjustments		
Adjustments to Service charges (See Note 27)		53 258
Adjustment to Contracted Services (See Note 36)		28 675
Adjustments to Employee related costs (See Note 31)		(13 401)
Adjustments to Operational costs (Note 39)		(16 560)
Adjustments to Property Plant and Equipment (Note 12)		428 708
Adjustment: Opening accumulated surplus 2019 (See above detail)		707 798
		1 188 478

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
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46 Risk management**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years
Other financial liabilities	9.62%	(815 759)	
Trade and other payables from non-exchange	10.50%	(204 137)	
Payables from exchange transactions	7%	(47 293 676)	
Finance lease obligation	9.55%	(228 331)	
Trade and Other receivables from exchange	11.00%	35 415 916	
Other receivables from non-exchange	11.00%	7 798 039	
Cash in current banking institutions	4.50%	9 880 201	

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Trade receivables from exchange transactions	34 044 707	28 903 065
Other receivables from non-exchange transactions	7 798 039	5 606 637
Other receivables from exchange transactions	1 371 209	1 231 766
Other financial assets	-	2 982
Short term deposits and cash in banks	9 880 201	27 630 935

The municipality holds deposits of R2 733 983 (2019: R2 673 592) from consumer debtors. No guarantees or collateral was provided to third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
47 Going concern		
Going concern		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business for the 12 month period ending 30 June 2021.		
The following material uncertainties may cast doubt on the going concern assumption:		
Covid19 global impact on the economy Debt payment ratio's not in the norm Credit payment ratio's not in the norm Current liabilities exceed current assets High level of water and electricity losses that occur High level of poverty within the BCRM's municipal area The potential risk that contingent liabilities as disclosed in this set of financial statements may materialise in actual commitments to pay.		
The following revenue enhancement strategies are currently in place to ensure that we address the above listed concerns:		
Debt collection interventions, including services restrictions if bills are not paid and issuing of summonses Implementation of an electronic meter reading system to ensure accurate and timely issuing of accounts Meter audits, to establish if all service usages are accounted for Installation of bulk electricity and water meters to track and monitor losses Replacement of old electricity and water infrastructure to curb electricity and water losses Developing of cost covering tariffs to ensure that consumers are paying for the services rendered by the municipality Cost containing measures to prevent unnecessary expenditure Implementation of a general valuation roll to ensure that the new market values of property are accounted for VAT audits Establishing a LED unit to attract business opportunities for local business		
COVID19 impact and measures to ensure the financial stability		
The Covid19 recession is a major ongoing global economic crisis which has caused both a recession in South Africa, and is currently the worst global economic crisis since the Great Depression. Modeling by the World Bank suggests that in some regions of the world a full recovery will not be achieved until 2025 or beyond. It is therefore important that municipalities are well geared to absorb the additional pressure.		
Blue Crane Route Municipality has identified the following measures to absorb the global impact of Covid19:		
National treasury, increased the municipality's 2020/21 Equitable share allocation from R56 696 000 to R65 297 000 to absorb the drop in debtor payment rates. A special adjustment budget will be tabled to take into account current debtor payment rates. Strict budget control have to be implemented. Further cost cutting measures will have to be implemented. Provincial treasury will on a regular basis review the budget funded criteria, and where necessary, further budget adjustments needs to be approved The municipality appointed a legal firm to collect long outstanding debt, including rates and services charges.		
48 Events after the reporting date		
There are no events after reporting date to report on.		
49 Unauthorised expenditure		
Opening balance	18 226 960	11 053 442
Add: Unauthorised Expenditure - current year	6 487 675	7 173 518
Less: Approved by Council during the year	(7 173 518)	
	17 541 117	18 226 960
Unauthorised expenditure occurred during the 2020 year due to debt impairment much more than expected as well as one capital budget project incorrectly budgeted. However the total operating budget was 94% spent for the year and the capital budget 85%, thus not overspent in total. See Notes 56.3 and 56.5 for more information related to the unauthorised expenditure for the current year.		
50 Fruitless and wasteful expenditure		
Opening balance	845 535	834 851
Add: Fruitless and wasteful expenditure - current year		10 684
	845 535	845 535
Council received the COGTA investigation report into the loss of R 834,861 in March 2018. An action plan was adopted by Council. Various of oversight structures are implementing this action plan.		
51 Irregular expenditure		
Opening balance	20 917 453	95 956 021
Add: Irregular Expenditure - current year	6 580 467	18 417 649
Add: Irregular Expenditure - previous year related but identified in the current year.		486 832
Less: Written off by Council	(414 378)	(93 943 049)
	27 083 542	20 917 453
Details of irregular expenditure - current year		
Supply Chain Management regulations not adhered to	27 083 542	20 917 453
Refer to Annexure "A" for the full list of deviations	3 773 194	45 471 208
Irregular expenditure are made up by payments mainly to Consulting engineers, Construction companies, Security services and fuel expenditure since 2011/12. These appointments were done by not following Council Procurement processes. Council appointed a disciplinary board during February 2017 to investigate these expenditure. These investigations includes value for money determination and asset verification checks which are performed by Council's internal audit unit. During 2020, R414 378 (2019, R 93.9 m) was written off by Council through the processes of the Disciplinary board.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2020
R2019
R
(Restated)

52 Reconciliation between budget and statement of financial performance

Classification Basis	Actual amounts as per Budget	Actual amounts as per State- ment of Financial Performance	Difference	Comment
Revenue				
Property rates	21 561 237	21 550 618	10 619	Budget includes Municipal Services
Service Charges	143 633 428	132 834 148	10 799 280	
Service Charges: Electricity	117 963 967	107 729 057	10 234 910	Budget includes Municipal Services
Service Charges: Water	13 113 223	12 689 436	423 787	Budget includes Municipal Services
Service Charges: Sanitation	5 209 015	5 159 728	49 287	Budget includes Municipal Services
Service Charges: Refuse	7 347 223	7 255 927	91 296	Budget includes Municipal Services
Other Income	5 277 866	1 757 694	3 520 172	
Actuarial Gain	3 520 172		3 520 172	Shown in AFS Fin Perf as a separate item
Other Income	1 757 694	1 757 694		
Expenditure				
Classification Basis				
Employee Related Costs	80 785 145	83 124 880	(2 339 735)	
Post- Retirement: Interest		2 339 735	(2 339 735)	PRMA interest under Finance cost as per budget
Other Employee related cost	80 785 145	80 785 145		
Finance Costs	4 228 144	1 888 409	2 339 735	Budget includes PRMA Interest under Employee
Inventory Consumed	2 875 983	5 267 587	(2 391 604)	Fuel cost shown in AFS as Inventory consumed - Other Ex
Operational Costs/Other Expenditure	25 615 444	12 373 739	13 241 705	
Municipal Services: Electricity	10 234 910		10 234 910	Budget includes Municipal Services
Municipal Services: Water	423 787		423 787	Budget includes Municipal Services
Municipal Services: Sewerage	49 287		49 287	Budget includes Municipal Services
Municipal Services: Refuse	91 296		91 296	Budget includes Municipal Services
Municipal Services: Rates	10 619		10 619	Budget includes Municipal Services
Inventory consumed (Fuel)	2 391 604		2 391 604	Fuel shown in AFS as Inventory consumed
Loss on disposal of assets	40 202		40 202	Loss on disposal of assets is separate item in AFS
Other Operational cost/Expenditure	12 373 739	12 373 739		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2020 R	2019 R (Restated)
53 Additional disclosure in terms of Municipal Finance Management Act		
PAYE, UIF AND SDL		
SARS deductions	12 467 751	11 747 042
Amount paid over	(11 672 133)	(10 826 670)
	795 618	920 372
The outstanding amount of R795 618 for SARS was paid in July 2020.		
Pension and Medical Aid Deductions		
Current year deductions	17 917 510	16 847 706
Amount paid - current year	(17 915 987)	(16 847 706)
	1 523	-
The additional deduction of R1 523 for Medical aid was paid over during July 2020,		
Councillors' arrear consumer accounts		
No Councillors municipal charges were outstanding for more than 90 days at 30 June 2020		
Organised Local Government (SALGA)		
Contribution for the year	841 086	829 800
No contributions were outstanding at year end.		

54 Actual versus Budget: Explanation of material variances greater than 10% versus budget

	Final Budget 2020 R	Actual 2020 R	Variance R	Variance %	Explanation
Revenue					
Property rates	18 026 690	21 561 237	3 534 547	20%	Rates of Game Farms in dispute
Rental of facilities and equipment	465 000	712 659	247 659	53%	Unsuspected additional rental from Wind Farm Fabric
Fines	423 000	162 231	(260 769)	-62%	Covid-19 effected the actual income
Licences and permits	480 300	396 517	(83 783)	-17%	Covid-19 effected the actual income
Agency services	950 000	753 971	(196 029)	-21%	Covid-19 effected the actual income
Other Income	8 754 740	5 277 866	(3 476 874)	-40%	VAT on grants included as additional revenue
Expenditure					
Debt impairment	14 990 060	23 280 573	8 290 513	55%	Debtors payrate decreased
Depreciation & asset impairment	42 479 290	31 374 395	(11 104 895)	-26%	Change in remaining usefull life of assewts
Finance charges	5 036 190	4 228 144	(808 046)	-16%	Interest on landfill site - change in inflation rate
Inventory consumed	4 668 660	2 875 983	(1 792 677)	-38%	Savings realised during Covid-19 lock down period
Other expenditure	29 002 390	25 615 444	(3 386 946)	-12%	Savings realised during Covid-19 lock down period

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2020 R	2019 R (Restated)	
55 Final budget versus original budget: Explanation of material variances greater than 10%					
	Final Budget 2020 R	Original Budget 2020 R	Variance R	Variance %	Explanation
Revenue					
Interest earned - external investments	1 350 000	850 000	500 000	59%	Grants spent mostly at the end of the year
Interest earned - outstanding debtors	5 465 650	4 197 650	1 268 000	30%	Debtors bad payrate lead to more interest
Rental of facilities and equipment	465 000	390 000	75 000	19%	Additional suspected rent from windfarm fabric
Agency services	950 000	850 000	100 000	12%	Additional licences income
Transfers and Subsidies	115 774 210	87 983 000	27 791 210	32%	Roll over WSIG grant approved only in Oct 2019
Other Income	8 754 740	1 277 140	7 477 600	585%	VAT included in grant income shown separate
Expenditure					
Debt impairment	14 990 060	11 103 750	3 886 310	35%	Decrease in debtors payrate
Other expenditure	29 002 390	25 817 350	3 185 040	12%	Covid-19 and additional expenditure

Note 56.1

EC102 Blue Crane Route - Reconciliation of Table A1 Budget Summary

Description R thousands	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Financial Performance												
Property rates	18 027	–	18 027	21 561		3 535	119.6%	119.6%				13 224
Service charges	148 405	509	148 915	143 633		(5 281)	96.5%	96.8%				128 208
Interest earned - external investments	850	500	1 350	1 390		40	102.9%	163.5%				2 052
Transfers and recognised -operational	60 969	969	61 938	61 572		(367)	99.4%	101.0%				53 580
Other own revenue	7 618	8 921	16 539	12 846		(3 693)	77.7%	168.6%				11 930
Total Revenue (excluding capital transfers and contributions)	235 869	10 899	246 769	241 002		(5 767)	97.7%	102.2%				208 993
Employee related costs	83 150	(2 693)	80 457	80 785		328	100.4%	97.2%				77 030
Remuneration of councillors	4 254	(75)	4 178	4 051		(128)	96.9%	95.2%				3 994
Debt impairment	11 104	3 886	14 990	23 281		8 291	155.3%	209.7%				19 453
Depreciation & asset impairment	42 179	300	42 479	31 374		(11 105)	73.9%	74.4%				34 560
Finance charges	5 019	18	5 036	4 228		(808)	84.0%	84.3%				5 776
Materials and bulk purchases	101 972	(9)	101 963	95 473		(6 490)	93.6%	93.6%				83 412
Transfers and subsidies	884	(43)	841	841		(0)	100.0%	95.2%				839
Other expenditure	34 271	3 191	37 462	32 277		(5 186)	86.2%	94.2%				31 302
Total Expenditure	282 832	4 575	287 407	272 310	–	(15 097)	94.7%	96.3%	–	–	–	256 365
Surplus/(Deficit)	(46 963)	6 324	(40 638)	(31 308)		9 330	77.0%	66.7%				(47 372)
Transfers recognised - capital	27 014	26 822	53 836	51 734		(2 102)	96.1%	191.5%				92 078
Contributions recognised - capital & contributed assets	–	–	–	–		–	–	–				–
Surplus/(Deficit) after capital transfers & contributions	(19 949)	33 146	13 197	20 426		7 229	154.8%	-102.4%				44 706
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	(19 949)	33 146	13 197	20 426		7 229	154.8%	-102.4%				44 706
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	27 064	26 822	53 886	45 897		(7 988)	85.2%	169.6%				78 468
Public contributions & donations	–	–	–	–		–	–	–				–
Borrowing	–	–	–	–		–	–	–				–
Internally generated funds	610	157	767	712		(54)	93.0%	116.8%				408
Total sources of capital funds	27 674	26 978	54 652	46 610		(8 042)	85.3%	168.4%				78 875
Cash flows												
Net cash from (used) operating	31 529	21 964	53 493	33 734		(19 759)	63.1%	107.0%				109 909
Net cash from (used) investing	(27 670)	(26 982)	(54 652)	(46 595)		8 057	85.3%	168.4%				(78 456)
Net cash from (used) financing	(3 950)	168	(3 782)	(4 891)		(1 109)	129.3%	123.8%				(5 041)
Cash/cash equivalents at the year end	909	21 588	22 498	9 882		(12 615)	43.9%	1087.0%				27 635

Note 56.2

EC102 Blue Crane Route - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
<i>Governance and administration</i>	60 522	9 126	69 648	69 580		2 488	99.9%	115.0%				58 056
Executive and council	20 812	–	20 812	20 812		(6 744)	100.0%	100.0%				19 069
Finance and Administration	39 711	9 126	48 836	48 768		9 232	99.9%	122.8%				38 988
Corporate services	–	–	–	–		–	–	–				–
Internal Audit	–	–	–	–		–	–	–				–
<i>Community and public safety</i>	3 496	3 660	7 156	4 833		2 772	67.5%	138.2%				4 408
Community and social services	2 522	–	2 522	2 392		4 965	94.9%	94.9%				2 129
Sport and recreation	130	–	130	70		(60)	53.6%	53.6%				362
Public safety	50	3 612	3 662	1 536		(2 127)	41.9%	3071.2%				1 122
Housing	–	–	–	–		–	–	–				–
Health	794	47	842	835		(6)	99.2%	105.2%				794
<i>Economic and environmental services</i>	2 992	531	3 523	2 839		(684)	80.6%	94.9%				2 729
Planning and development	–	423	423	160		(263)	37.8%	–				–
Road transport	2 992	108	3 100	2 679		(421)	86.4%	89.5%				2 729
Environmental protection	–	–	–	–		–	–	–				–
<i>Trading services</i>	195 873	24 405	220 278	215 484		(4 795)	97.8%	110.0%				235 879
Energy sources	126 997	3 502	130 499	125 974		(4 524)	96.5%	99.2%				115 238
Water management	40 517	19 169	59 686	61 894		2 208	103.7%	152.8%				94 248
Waste water management	13 609	2 056	15 664	13 414		(2 250)	85.6%	98.6%				12 884
Waste management	14 751	(321)	14 429	14 201		(228)	98.4%	96.3%				13 509
<i>Other</i>	–	–	–	–		–	–	–				–
Total Revenue - Standard	262 883	37 721	300 605	292 736		(218)	97.4%	111.4%				301 072
Expenditure - Standard												
<i>Governance and administration</i>	72 957	(1 791)	71 166	73 652	3 330	2 676	103.5%	101.0%	–	–	–	66 983
Executive and council	10 705	33	10 738	14 068	3 330	3 330	131.0%	131.4%	–	–	–	9 409
Finance and administration	60 540	(1 818)	58 722	58 069		(654)	98.9%	95.9%	–	–	–	55 965
Corporate services	–	–	–	–	–	–	–	–	–	–	–	–
Internal Audit	1 712	(6)	1 706	1 515		–	–	–	–	–	–	1 609
<i>Community and public safety</i>	12 828	115	12 943	12 167	39	(776)	94.0%	94.8%	–	–	–	11 745
Community and social services	8 013	(565)	7 448	7 487	39	39	100.5%	93.4%	–	–	–	7 285
Sport and recreation	1 276	(37)	1 239	1 142		(97)	92.2%	89.5%	–	–	–	1 204
Public safety	2 804	671	3 475	2 855		(620)	82.2%	101.8%	–	–	–	2 628
Housing	–	–	–	–	–	–	–	–	–	–	–	–
Health	735	46	781	683		(98)	87.4%	92.9%	–	–	–	627
<i>Economic and environmental services</i>	21 731	162	21 893	18 316	–	(3 577)	83.7%	84.3%	–	–	–	19 098
Planning and development	2 193	72	2 265	1 920		(345)	84.8%	87.6%	–	–	–	1 766
Road transport	19 538	90	19 628	16 396		(3 232)	83.5%	83.9%	–	–	–	17 332
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–
<i>Trading services</i>	175 316	6 089	181 405	168 175	–	(13 230)	92.7%	95.9%	–	–	–	158 539
Energy Source	120 767	431	121 198	113 132		(8 066)	93.3%	93.7%	–	–	–	102 735
Water management	23 561	2 415	25 976	24 117		(1 859)	92.8%	102.4%	–	–	–	24 540
Waste water management	12 155	1 911	14 066	12 154		(1 912)	86.4%	100.0%	–	–	–	10 941
Waste management	18 833	1 333	20 165	18 772		(1 394)	93.1%	99.7%	–	–	–	20 323
<i>Other</i>	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	282 832	4 575	287 407	272 310	3 369	(14 907)	94.7%	96.3%	–	–	–	256 365
Surplus/(Deficit) for the year	(19 949)	33 146	13 197	20 426		14 689	154.8%	-102.4%	–	–	–	44 706

Note 56.3

EC102 Blue Crane Route - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Mayoral Executive	–	–	–	0		0						–
Municipal Council	20 812	–	20 812	20 812		–	100.0%	100.0%				19 058
Accounting Officer	–	423	423	160		(263)	37.8%	#DIV/0!				11
Budget & Treasury	24 642	8 936	33 577	33 218		(359)	98.9%	134.8%				23 776
Technical Services	197 497	24 917	222 414	218 089		(4 325)	98.1%	110.4%				238 367
Community, Safety & Social Services	19 774	3 446	23 220	20 272		(2 947)	87.3%	102.5%				19 577
Corporate Services	159	–	159	185		26	116.3%	116.3%				283
Example 8 - Vote8			–			–	–	–				
Example 9 - Vote9			–			–	–	–				
Example 10 - Vote10			–			–	–	–				
Example 11 - Vote11			–			–	–	–				
Example 12 - Vote12			–			–	–	–				
Example 13 - Vote13			–			–	–	–				
Example 14 - Vote14			–			–	–	–				
Example 15 - Vote15			–			–	–	–				
Total Revenue by Vote	262 883	37 721	300 605	292 736		(7 869)	97.4%	111.4%				301 072
Expenditure by Vote to be appropriated												
Mayoral Executive	433	(12)	421	4 217	3 797	3 797	1002.5%	974.4%			–	380
Municipal Council	5 620	(102)	5 517	5 182		(335)	93.9%	92.2%			–	5 186
Accounting Officer	8 557	213	8 770	8 103		(667)	92.4%	94.7%			–	7 598
Budget & Treasury	35 348	(440)	34 908	34 138		(770)	97.8%	96.6%			–	33 385
Technical Services	187 313	3 309	190 622	177 081		(13 541)	92.9%	94.5%			–	165 306
Community, Safety & Social Services	37 690	1 530	39 220	36 396		(2 824)	92.8%	96.6%			–	37 689
Corporate Services	7 873	77	7 949	7 192		(757)	90.5%	91.4%			–	6 821
Example 8 - Vote8			–			–	–	–			–	
Example 9 - Vote9			–			–	–	–			–	
Example 10 - Vote10			–			–	–	–			–	
Example 11 - Vote11			–			–	–	–			–	
Example 12 - Vote12			–			–	–	–			–	
Example 13 - Vote13			–			–	–	–			–	
Example 14 - Vote14			–			–	–	–			–	
Example 15 - Vote15			–			–	–	–			–	
Total Expenditure by Vote	282 832	4 575	287 407	272 310	3 797	(15 097)	94.7%	96.3%	–	–	–	256 365
Surplus/(Deficit) for the year	(19 949)	33 146	13 197	20 426		7 229	154.8%	-102.4%				44 706

Note 56.4

EC102 Blue Crane Route - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	18 027	–	18 027	21 561		(3 535)	119.6%	119.6%				13 224
Property rates - penalties & collection charges	–	–	–			–	–	–				
Service charges - electricity revenue	119 382	3 502	122 884	117 964		4 920	96.0%	98.8%				101 719
Service charges - water revenue	15 694	(2 691)	13 003	13 113		(111)	100.9%	83.6%				14 160
Service charges - sanitation revenue	5 433	21	5 453	5 209		244	95.5%	95.9%				5 102
Service charges - refuse revenue	7 897	(322)	7 576	7 347		228	97.0%	93.0%				7 227
Service charges - other	–	–	–	–		–	–	–				–
Rental of facilities and equipment	390	75	465	713		(248)	153.3%	182.7%				495
Interest earned - external investments	850	500	1 350	1 390		(40)	102.9%	163.5%				2 052
Interest earned - outstanding debtors	4 198	1 268	5 466	5 543		(77)	101.4%	132.0%				4 492
Dividends received	–	–	–	–		–	–	–				–
Fines	423	–	423	162		261	38.4%	38.4%				126
Licences and permits	480	–	480	397		84	82.6%	82.6%				540
Agency services	850	100	950	754		196	79.4%	88.7%				1 013
Transfers recognised - operational	60 969	969	61 938	61 572		367	99.4%	101.0%				53 580
Other revenue	1 277	7 478	8 755	5 278		3 477	60.3%	413.3%				5 185
Gains on disposal of PPE	–	–	–	–		–	–	–				78
Total Revenue (excluding capital transfers and contributions)	235 869	10 899	246 769	241 002		5 767	97.7%	102.2%				208 993
Expenditure By Type												
Employee related costs	83 150	(2 693)	80 457	80 785	328	(328)	100.4%	97.2%			–	77 030
Remuneration of councillors	4 254	(75)	4 178	4 051		128	96.9%	95.2%			–	3 994
Debt impairment	11 104	3 886	14 990	23 281	8 291	(8 291)	155.3%	209.7%			–	19 453
Depreciation & asset impairment	42 179	300	42 479	31 374		11 105	73.9%	74.4%			–	34 560
Finance charges	5 019	18	5 036	4 228		808	84.0%	84.3%			–	5 776
Bulk purchases	97 294	–	97 294	92 597		4 697	95.2%	95.2%			–	79 992
Other materials	4 678	(9)	4 669	2 876		1 793	61.6%	61.5%			–	3 420
Contracted services	8 453	6	8 460	6 661		1 799	78.7%	78.8%			–	7 986
Transfers and subsidies	884	(43)	841	841		0	100.0%	95.2%			–	839
Other expenditure	25 817	3 185	29 002	25 615		3 387	88.3%	99.2%			–	23 317
Loss on disposal of PPE	–	–	–	–		–	–	–			–	–
Total Expenditure	282 832	4 575	287 407	272 310	8 619	15 097	94.7%	96.3%	–	–	–	256 365
Surplus/(Deficit)	(46 963)	6 324	(40 638)	(31 308)		(9 330)	77.0%	66.7%				(47 372)
Transfers recognised - capital	27 014	26 822	53 836	51 734		2 102	96.1%	191.5%				92 078
Contributions recognised - capital	–	–	–	–		–	–	–				–
Contributed assets	–	–	–	–		–	–	–				–
Surplus/(Deficit) after capital transfers & contributions	(19 949)	33 146	13 197	20 426		(7 229)	154.8%	-102.4%				44 706
Taxation	–	–	–	–		–	–	–				–
Surplus/(Deficit) after taxation	(19 949)	33 146	13 197	20 426		(7 229)	154.8%	-102.4%				44 706
Attributable to minorities	–	–	–	–		–	–	–				–
Surplus/(Deficit) attributable to municipality	(19 949)	33 146	13 197	20 426		(7 229)	154.8%	-102.4%				44 706
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
Surplus/(Deficit) for the year	(19 949)	33 146	13 197	20 426		(7 229)	154.8%	-102.4%				44 706

Note 56.5

EC102 Blue Crane Route - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2019/20						2018/19					
	Original Budget	Total Budget Adjustments (i.i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital single-year expenditure												
Total Capital Expenditure - Vote												
							-	-				
Capital Expenditure - Standard												
Governance and administration	13 734	40	13 774	11 824		(1 950)	86%	86%	-	-	-	12 083
Executive and council	40	(36)	5	4		(0)	96%	11%			-	
Finance and Administration	13 694	76	13 770	11 820		(1 950)	86%	86%			-	12 083
Corporate services		-	-			-					-	-
Community and public safety	40	2 657	2 697	938		(1 759)	35%	2345%	-	-	-	1 052
Community and social services	40	(34)	7	6		(0)	98%	16%			-	54
Sport and recreation	-	-	-			-	-				-	
Public safety	-	2 690	2 690	932		(1 759)	35%				-	998
Housing		-				-	-	-			-	
Health		-				-	-	-			-	
Economic and environmental services	40	423	463	26		(437)	6%	64%	-	-	-	-
Planning and development		423	423	-		(423)	-	-			-	
Road transport	40	-	40	26		(14)	64%	64%			-	
Environmental protection		-				-					-	-
Trading services	13 860	23 859	37 719	33 822	2 691	(3 897)	90%	244%	-	-	-	65 740
Energy Sources	800	150	950	892		(58)	94%	111%			-	5 614
Water management	13 030	21 674	34 704	28 174		(6 530)	81%	216%			-	38 814
Waste water management	30	2 035	2 065	4 757	2 691	2 691	230%				-	21 312
Waste management	-	-	-			-	-	-			-	
Other		-				-	-	-			-	
Total Capital Expenditure - Standard	27 674	26 978	54 652	46 610	2 691	(8 042)	85%	168%	-	-	-	78 875
		-				-	-	-				
Funded by:		-										
National Government	27 064	24 070	51 134	44 861		(6 273)	88%	166%				77 302
Provincial Government		-				-	-	-				
District Municipality	-	2 752	2 752	1 036		(1 715)						1 166
Other transfers and grants		-				-						
Transfers recognised - capital	27 064	26 822	53 886	45 897		(7 988)	85%	170%				78 468
Public contributions & donations		-				-	-	-				
Borrowing	-	-	-			-						
Internally generated funds	610	157	767	712		(54)	93%	117%				408
Total Capital Funding	27 674	26 978	54 652	46 610		(8 042)	85%	168%				78 875

Note 56.6

EC102 Blue Crane Route - Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2019/20							2018/19
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	156 966	(4 726)	152 239	123 771	28 468	81.3%	78.9%	112 774
Other revenue	6 944	9 047	15 991	11 212	4 778	70.1%	161.5%	4 323
Government - operating	60 969	396	61 365	62 020	(655)	101.1%	101.7%	53 580
Government - capital	27 014	26 822	53 836	28 275	25 561	52.5%	104.7%	115 360
Interest	4 628	(4 628)	-	1 354	(1 354)		29.2%	2 014
Payments								
Suppliers and employees	(223 647)	(414)	(224 061)	(191 690)	(32 371)	85.6%	85.7%	(176 564)
Finance charges	(461)	(4 575)	(5 036)	(367)	(4 669)	7.3%	79.7%	(738)
Transfers and Grants	(884)	43	(841)	(841)	(0)	100.0%		(839)
NET CASH FROM/(USED) OPERATING ACTIVITIES	31 529	21 964	53 493	33 734	19 759	63.1%	107.0%	109 909
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	11	(11)			416
Decrease (increase) in non-current debtors	4		-	3	(3)			3
Decrease (increase) other non-current receivables			-		-	-	-	
Decrease (increase) in non-current investments			-		-	-	-	
Payments								
Capital assets	(27 674)	(26 978)	(54 652)	(46 610)	(8 042)	85.3%	168.4%	(78 875)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(27 670)	(26 978)	(54 652)	(46 595)	(8 057)	85.3%	168.4%	(78 456)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			-		-	-	-	
Borrowing long term/refinancing			-					
Increase (decrease) in consumer deposits	50	-	50	60	(10)	120.8%		95
Payments								
Repayment of borrowing	(4 000)	168	(3 832)	(4 952)	1 120	129.2%	123.8%	(5 136)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(3 950)	168	(3 782)	(4 891)	1 109	129.3%	123.8%	(5 041)
NET INCREASE/ (DECREASE) IN CASH HELD	(91)	(4 846)	(4 941)	(17 752)	(27 121)			26 412
Cash/cash equivalents at the year begin:	1 000	26 438	27 438	27 635	-			1 223
Cash/cash equivalents at the year end:	909	21 592	22 498	9 882	(27 121)	43.9%	1087.0%	27 635

ANNEXURE A – DEVIATIONS 2019/2020 FINANCIAL YEAR

Date	Company Name	Description of Goods / Services	Reason for Deviation	SCM Reg#	Authorised By	Value	Order
JULY 2019							
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhour service	s36(1)(a)(v)	AAO	R 109 056.81	53045
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhour service	s36(1)(a)(v)	AAO	R 53 768.57	53048
16/07/2019	B G SECURITY	SECURITY SERVICES	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 83 987.58	53047
16/07/2019	B G SECURITY	SECURITY SEALS FOR TRAFFIC	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 1 537.85	53049
16/07/2019	B G SECURITY	VARIOUS SERVICES APRIL,MAY,JUNE 2019	Only CIT provider in town, Alarm already put up by the spervice provider, Guarding services need. Tender process for all the security needs of the municipality in process. Afterhours service	s36(1)(a)(v)	AAO	R 81 791.11	53046
25/07/2019	NISSAN EC	15 000km service	JDY699EC was brought brand new through the NT transversal contract RT57. When the vehicle reached 15000KM it was taken for a service booked by the BCRM workshop. The Workshop took it for granted that the vehicle had a service plan which was not the case the case and only picked up after the garage/dealer had already done the service and a payment is needed.	s36(1)(a)(v)	AAO	R 2 578.28	53097
						R 332 720.20	
AUGUST 2019							
02/08/2019	TRANSGEAR BUSINESS TRUST	TO REPAIR HINO GEARBOX	Due to the nature of the work required (stripping, identifying the problem, fixing and assembling) necessitate deviation from SCM processes.	s36(1)(a)(v)	AAO	R 56 212.33	53171
02/08/2019	CHRIS BAKER AND ASSOCIATES	VARIOUS INVOICES- NKANJENI, RETIREMENT FUND, GENERAL MATTERS, SAMMY AND POTENTIAL DISCIPLINE	There is no contract for the service provider in place.	s36(1)(a)(v)	AAO	R 26 536.05	53166
02/08/2019	BLUE CRANE PRINTERS	NOTICE 37/2019-2019/20 BUDGET AND TARIFFS	the service provider is the only local newspaper in the BCRM area.	s36(1)(a)(v)	AAO	R 6 831.00	53160
02/08/2019	BLUE CRANE PRINTERS	SUBSCRIPTION NEWSPAPERS-6 X LIBRARIES, 1 X ARCHIVES	The HARTLAND NEWS is the only newspaper that is locally distributed in our area and the is printed by The Blue Crane Printers.	s36(1)(a)(v)	AAO	R 1 972.25	53159
30/08/2019	MEDIA 24 BPK	SUBSCRIPTION - DIE BURGER, RAPPORT	Newspapers subscription for the Library Services and are printed and distributed by Media 24.	s36(1)(a)(v)	AAO	R 9 922.20	53305
30/08/2019	TISO BLACK STAR GROUP PTY LTD	7 HERALD NEWSPAPERS PER DAY, 7 SUNDAY TIMES PER DAY	Newspapers subscription for the Library Services and are printed and distributed by Tiso Black Star Group.	s36(1)(a)(v)	AAO	R 20 475.55	53321
30/08/2019	CHRIS BAKER AND ASSOCIATES	LEGAL SERVICES - INVOICES 11589 AND 11635	There is no contract for the undermentioned service provider in place. SAMWU Retirement Fund and Acting Allowance matters. No quotes could be sourced due to the urgency of the matters.	s36(1)(a)(v)	AAO	R 9 503.91	53322
13/08/2019	UD TRUCKS	SERVICE FOR TRUCK	The truckk cannot be serviced by any supplier, Billson Trucks is the only service provider.	s36(1)(a)(v)	AAO	R 6 789.20	53201
						R 138 242.49	

SEPTEMBER 2019

09/09/2019	ASD INTERNATIONAL	REPAIR GRT10 ROTATING PARTS	ASD is the only service provider in town and it was the cheapest. Quote was done on the 17 July 2019.	s36(1)(a)(v)	AAO	R 18 308.00	53383
09/09/2019	NORTHFIELD ENGINEERING	STEP UP STEP DOWN	NORTHFIELD ENGINEERING was the only service provider who could provide the couplings immediately. It was necessary to repair the pipeline urgently to prevent a water crisis.	s36(1)(a)(v)	AAO	R 6 142.70	53384
17/09/2019	ROYAL HOTEL	ACCOMMODATION FOR MR GAJI-AUGUST 2019	Four quotations were requested from the self catering accommodation providers, unfortunately two (2) was fully booked. Two quoted & the Royal Hotel was the cheapest. The above self catering accommodation for the Director: Technical Services as from 01 June 2019 and it's Council Policy to provide accommodation only for the 1st 3 months.	s36(1)(a)(v)	AAO	R 11 700.00	53416
18/09/2019	GOLDBERG & DE VILLIERS INC	LEGAL SERVICES - INVOICE 23042,23649,234043 AND 23685	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO	R 6 831.00	53160
02/09/2019	GOVERNMENT PRINTING WORKS	ACR,RLV TLL,ALV AND PDI	GOVERNMENT PRINTING WORKS are the sole provider for the Government Forms and Documents.	s36(1)(a)(v)	AAO	R 5 827.27	53346
10/09/2019	UNITRANS AUTOMOTIVE PTY LTD	SERVICE AND CALL OUT FOR HINO TRUCK	The Compactor Truck with registration HMM448EC was serviced at 40 000km in Cradock on Tuesday 27 August 2019. The above-mentioned truck got stuck at the landfill site as the Driver struggled to start the truck. When it finally started it did not drive smoothly there was a jerk. The truck was taken to Municipal Mechanical Workshop; it was examined and recommended for the truck to be serviced as the problem might be caused by dirty filters and that the truck to be serviced by Hino Toyota from Port Elizabeth as they possess the expertise in Hino Trucks. The truck is not is not able to drive to Port Elizabeth therefore their call out services will be requested.	s36(1)(a)(v)		R 14 834.70	53395
02/09/2019	SPARKS & ELLIS	UNIFORM AS PER QUOTATION	There is only two service providers country wide	s36(1)(a)(v)	AAO	R 22 488.93	53342
						R 86 132.60	

OCTOBER 2019

11/10/2019	UNITRANS AUTOMOTIVE (PTY) LTD	TOYOTA HINO FIT CLUTCH KIT CONSUMABLES SKIM MANIFOLD	Algoa Hino Toyota is the only service provider in the Port Elizabeth that services and do maintenance on Hino Vehicles. The Clutch Kit needed to be replaced.	s36(1)(a)(v)	AAO	R 29 474.73	53575
14/10/2019	XL BAY TRAVEL	ACCOMODATION AIR TICKETS CAR RENTAL SERVICE FEES	Three (3) quotations were requested from the Travel Agencies (Rennies Travel, Willards Travel & XL Bay Travel). Rennies Travel informed us that they cannot quote anymore as our account is closed with them.	s36(1)(a)(v)	AAO	R 14 771.44	53598
15/10/2019	GLDBERG & DE VILLERS INC	LEGAL SERVICES - INVOICE PROF 01-23956	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO	R 21 187.60	53611

R 65 433.77

NOVEMBER 2019								
19/11/2019	ASD INTERNATIONAL	REPAIR T3 PARTS, REPAIR GR T6 PARTS, 1410SPA V BELTS	EMERGENCY, Aeroville Pumpstation has just one pump running and the pump broke and it needed to be fixed urgently. the pump was repaired on 29 August 2019.	s36(1)(a)(v)	AO	R	18 939.35	53790
20/11/2019	XL BAY TRAVEL	ACCOMODATION	All hotels are fully booked. This is the only available accommodation; Mr Gaji is attending a Human Settlements Workshop in Port Elizabeth.	s36(1)(a)(v)	AO	R	2 117.50	53794
25/11/2019	SCHEYISA POWERLINES	2X100KVA, 22000/420V TRANSFORMERS TRANSPORT COST	MTN & VODACOM TOWER TRANSFORMERS were struck by lightning and the customers have no electricity supply.	s36(1)(a)(v)	AO	R	115 590.00	53815
25/11/2019	SERVELEC PTY LTD	REPAIR TO VANDALIZED PUMPSTATION	Raw Water Pumps vandalised & Control Syatem cable stolen.	s36(1)(a)(v)	AO	R	46 218.62	53814
25/11/2019	SERVELEC PTY LTD	REPAIR TO FAULTY PUMPS STATION (PUMPS NOT STARTING)	Raw Water Pumps not working, dam levels low.	s36(1)(a)(v)	AO	R	10 804.94	53813
18/11/2019	GOLDBERG & DE VILLERS INC	INVOICE PRF01-24309 DATE D 25/10/2019	1. A Disciplinary enquiry has been instituted against Municipal Manager. 2. A Disciplinary has been instituted in line with Local Government, Disciplinary Regulations for Senior Managers 2010. 3. Action had to be immediate as there are timelines to the process.	s36(1)(a)(v)	AAO	R	3 220.00	53776
22/11/2019	UNITRANS AUTOMOTIBVE PTY LTD	REPLACE GEARBOX SEALS AS PER QUOTE CDV 245 EC	When the Land Cruiser CDV245EC gearbox was removed and cleaned; it was discovered that oil seals are redundant and need to be replaced. The gearbox was removed to fit a new clutch and pressure plate and release bearing on 53645 thus the additional cost to replace seals.	s36(1)(a)(v)	AO	R	6 545.95	53812
20/11/2019	BLUE CRANE PRINTERS	ADVERTISEMENT OF NOTICE 45/2019 ADVERTISEMENT OF NOTICE 45/2019	Hartland News s the only newspaper circulating locally and is printed & distributed by the Blue Crane Printers.	s36(1)(a)(v)	AO	R	3 042.90	53793
							R 206 479.26	
DECEMBER 2019								
17/12/2019	BG SECURITY	SECURITY SERVICE FOR NO V-QUOTE QTE3092. MONITOR & MONITOR OLD IEC OFFICES, MONITOR AIRFIELD, A/H TEL SEV. ELECT/POUND A/H TEL SEV. WATER SEWER	Monitoring, guard duties, CIT, various other duties and work that had to be done on equipment/infrastructure that is already in place - provided by BG SECURITY	s36(1)(a)(v)	AO		R 52 522.39	53941
18/12/2019	BLUE CRANE PRINTERS	NOTICE 60/2019 ADVERT COOKHOUSE OFFICES IN DECEMBER 2019	The service provider is the only local newspaper supplier in the BCMR area	s36(1)(a)(v)	AO		R 3 726.00	53949
							R 56 248.39	
JANUARY 2020								
31/01/2019	BELL EQUIPMENT SALES SOUTH AFRICA	REPAIR TO BELL TLB	TLB is a product of Bell Equipment Sales SA Ltd. The machine had to be taken to the manufacturer/ agent to open it and determine what the problem is. Taking the TLB to another service provider for quotation as the municipality will have to pay for storage as they have to strip to find out what is wrong then quote.	s36(1)(a)(v)	AO		R 8 366.71	54021
							R 8 366.71	

FEBRUARY 2020

25/02/2020	WP MASHISHINI PTY LTD	100KVA TRANSFORMERS 22KV/415V INLAND	An emergency; three transformers were struck by lightning.	s36(1)(a)(v)	AO	R 165 255.00	54131
21/02/2020	SMHART SECURITY	GUARD NIGHT SHIFT 17DEC-05 JAN 2020, GUARD DAY SHIFT 18 DEC-06JAN 2020	There are only two security firms that offer the armed response service (BG Security & SMHART Armed Response). BG Security informed the municipality that they only have one response vehicle and is attending to their alarms and thus will not be able to avail their services. SMHART was therefore the only available company who was able to assist for the period of 17 - 31 Dec 2019 at the Clevedon Pump Station and the armed response is needed due to various acts of vandalism taking place at the pumpstation which affect water supply to the community.	s36(1)(a)(v)	AO	R 38 123	54122
13/02/2020	AYANDA MBANGA COMMUNICATIONS	NOTICE 02/2020 ADVERTISEMENT OF DIRECTOR CORPORATE	Notice 02/2020 Director Corporate Services on the Sunday Times. Three quotes were not received as there are only two service providers rendering the service.	s36(1)(a)(v)	AO	R 33 505.48	54082
18/02/2020	BG SECURITY	SECURITY SERVICE FOR DEC-QUOTE QTE3106. MONITOR & MONITOR OLD IEC OFFICES, MONITOR AIRFIELD, A/H TEL SEV. ELECT/POUND A/H TEL SEV. WATER SEWER	Alarm Monitoring, Guard duties, CIT and various other duties and work that had to be done on equipment/infrastructure that is already in place and put up by BG Security	s36(1)(a)(v)	AO	R 54 828.53	54098
19/02/2020	SMHART SECURITY	GUARD SECURITY AT CLEVEDON PLOTS DAY SHIFT NIGHT SHIFT 6-12/01/2020	As a result of continuous vandalism at the Clevedon Pump Station which became a problem over the December/January 2020 holiday period. Management was obliged to appoint guards as an emergency precautionary measure.	s36(1)(a)(v)	AO	R 13 685.00	54109
26/02/2020	NISSAN EASTERN CAPE	JDY 699EC 30333KM, MAJOR SERVICE REPLACEMENT OF A CLUTCH	Nissan EC is the accredited dealer/ agent to service and work on Nissan vehicles and the particular one is still under warranty which might be voided if any service provider works on them.	s36(1)(a)(v)	AO	R 30 008.20	54140
26/02/2020	NISSAN EASTERN CAPE	CYW127EC MAJOR SERVICE PLUS MAJOR REPAIRS AS PER QUOTE	Nissan EC is the accredited dealer/ agent to service and work on Nissan vehicles and the particular one is still under warranty which might be voided if any service provider works on them.	s36(1)(a)(v)	AO	R 27 487.54	54139
19/02/2020	BLUE CRANE PRINTERS	ADVERTISEMENT OF ANNUAL REPORT FOR PUBLIC COMMENTS NOTICE 9/2020	The service provider is the only local newspaper provider in the BCRM area	s36(1)(a)(v)	AO	R 2 261.47	54110
						R 365 153.72	

MARCH 2020

03/03/2020	WP MASHISHINI PTY LTD	EMERGENCY REPAIR TO CABLE FEEDING AEROVILLE	Aeroville feeder developed a fault and left the whole of the Aeroville community and the Water Treatment Works without power. D=ffect on delivery of clean water to the community.	s36(1)(a)(v)	AO	R 17 337.40	54152
11/03/2020	WP MASHISHINI PTY LTD	1*100KVA TRANSFORMERS 22000/445V INLAND SPEC 1*50KVA TRANSFORMER 22000V/415V INLAND SPEC	Three transformers struck by lightning. Delivery of electricity to the affected community was going to be disrupted.	s36(1)(a)(v)	AO	R 165 255.00	54205
11/03/2020	JOHN DIRKER ENGINEERING	ENGINE REPAIR	FROM EXPERIENCE,ENGINE PARTS GET LOST WHEN AN ENGINE GIVEN TO A COUPLE OF SERVICE PROVIDERS TO QUOTE ON.	s36(1)(a)(v)	AAO	R 83 217.45	54206
20/03/2020	EYABANTU PROFESSIONAL SERVICES	INSTALL ARM CAPABILITY ON GASTING ELSTER A1700	There are only two service providers in the BCRM database who are providing the service.	s36(1)(a)(v)	AO	R 17 777.59	54236
09/03/2020	BLUE CRANE PRINTERS	NOTICE 13/2020-FOR INSPECTION OF THE FIRST SUPPLEMENTARYVALUATION ROLL AND LODGING OF OBJECTIONS FOR THE FINANCIAL YEAR 2019/2020	The service provider is the only local newspaper in the BCRM Area.	s36(1)(a)(v)	AO	R 3 015.30	54197
09/03/2020	BLUE CRANE PRINTERS	NOTICE 14/2020 1*SECRETARY TO THE CFO	The service provider is the only local newspaper in the BCRM Area.	s36(1)(a)(v)	AO	R 3 539.70	54191
09/03/2020	MG DU PLESSIS	ACCOMMODATION OF FOUR PEOPLE THAT WILL ATTEND THE GENERAL VALUATION APPEAL BOARD SITTING.	Quotes were requested from 5 service providers but only recieved two quotes as the other three informed us that they are fully booked. Accommodation needed for the Valuation Appeal Board members who have a hearing on the 10th and 11th of March 2020.	s36(1)(a)(v)	AO	R 8 080.00	54198
11/03/2020	CHRIS BAKER AND ASSOCIATES	INVOICE CB11897(MWRF MATTER) INVOICE SB1507 S MADLANGA	There is no contract for the undermentioned service provider in place. Property Rates dispute with Game Farmers and other farmers and the legal opinion needed. No quotes could be sourced due o the urgency pf he matters.	s36(1)(a)(v)	AO	R 23 617.56	54217
18/03/2020	HHH SOLAR INVESTMENTS	PLASTIC SHEETING,NAILS CLOUT,BRANDERING	Disaster Relief - wind and storm damaged roofs. Roof sheets were blown off ceilings was damaged. Emergency procurement to prevent further damages.	s36(1)(a)(v)	AO	R 12 190.23	54230
18/03/2020	SMITH TABATA INCORPORATED	LEGAL MATTERS RATES DISPUTE OPINION	There is no contract for the undermentioned service provider in place. Property Rates dispute with Game Farmers and other farmers and the legal opinion needed. No quotes could be sourced due the urgency of the matters.	s36(1)(a)(v)	AO	R 259 005.75	54228
11/03/2020	LEXIS NEXIS PTY LTD	INVOICE	Services were contracted many years ago by the then supervisor of teh Traffic Department and the municipality has been recieveing these inc=voices taht needed to be paid because of contractual obligations. A decision to terminate the contract and this is the las invoice.	s36(1)(a)(v)	AO	R 3 583.40	54210
11/03/2020	WILLARDS TRAVEL SERVICES PTY	ACCOMMODATION FOR INTERN AUDIT STAFF TO ATTEND CAFFORUM	Quotations were requested from three travel agencies; Pen Travel, XL Bay & Willards Travel. Pen Travel are teh cheapest but do not want to do business with the municipality - email attached.	s36(1)(a)(v)	AO	R 6 020.00	54212
16/03/2020	CHM VUWANI COMPUTER SOLUTIONS	LABOUR STRIP AND REPLACE LCD	The laptop is at CHM Vuwani for repairs - had to be sent before they could quote as they had to do an assement of the laptop before they could quote and the quotation is above R2 000 and three quotes cannot be provided in this situation.	s36(1)(a)(v)	AO	R 2 469.33	54221
23/03/2020	HHH SOLAR INVESTMENTS	WATER TANKS	An alternative source for water was required hence its was urgent to procure water tanks to help alleviate water shortages.	s36(1)(a)(v)	AO	R 157 299.42	54245

R 762 408.13							
APRIL 2020							
07/04/2020	BIDVEST STEINER	COVID PPE	Only supplier open and willing to assist during the lockdown period	s36(1)(a)(v)	AO	R 12 333.75	54299
21/04/2020	BIDVEST STEINER	COVID PPE	Three quotes could not be obtained due to lockdown and the other service provider did not quote on all the required materials.	s36(1)(a)(v)	AO	R 22 208.21	54310
21/04/2020	HHH SOLAR INVESTMENTS	COVID PPE	Only two service providers responded - COVID PPE	s36(1)(a)(v)	AO	R 11 801.76	54309
21/04/2020	EMBROIDERZELLE	MASKS	Only supplier who could provide the required 3 layer masks as specified at the time required.	s36(1)(a)(v)	AO	R 28 540.00	54305
R 74 883.72							
MAY 2020							
21/05/2020	GEORGE'S ELECTRICAL WHOLESALE	ABB TIMER & MCE CONTACTOR	Suppliers are not responding to request for quotations and the assumption is that because we are still on COVID-19 lockdown. The timers and contactors are urgent for the maintenance of lights and because of winter it is getting dark and communities are complaining.	s36(1)(a)(v)	AO	R 9 703.13	54354
22/05/2020	WP MA SHISHINI PTY LTD	GRUNDFOS CONTROLLER	One of the suppliers we could get hold off during this period (lockdown) had been promising to provide the quote but time was running out as the community was struggling with water due to borehole function challenges that needed the controller.	s36(1)(a)(v)	AO	R 10 338.50	54378
15/05/2020	LRC CIVILS	REFURBISHMENT OF BESTERSHOEK WTW	The Treatment Plant was decommissioned due to substandard water quality produced after treatment which did not meet SANS241 standard. This decommissioning had an effect on the water supply capacity as there were numerous interruptions and also the only treatment works operating were being affected in terms of operation as that plant was already operating at 95% capacity already. It became a matter of urgency as the Dry Season was looming and the water supply that supplies the decommissioned plant is of importance as it is a natural source that will add to water shortage during the dry season.		AO	R 1 563 494.36	N/A
14/05/2020	BLUE CRANE PRINTERS	NOTICE 18/2020	They are the only local newspaper	s36(1)(a)(v)	AO	R 3 408.60	54327
14/05/2020	ROYAL HOTEL	DEEP CLEANING OF OFFICES	The company is the only one in town that can deep clean the offices during this period and within the time as disinfection has to happen for opening of offices.	s36(1)(a)(v)	AO	R 10 662.80	54328
06/05/2020	STEINER TRADING	ULV STERIFOR TREATMENT	Only two SPs responded to the request for quote and the need was urgent as the disinfection had to happen to prevent COVID spread.	s36(1)(a)(v)	AO	R 32 158.00	54319
R 1 629 765.39							
JUNE 2020							
12/06/2020	B G SECURITY	CASH IN TRANSIT REVENUE INVOICES- 70494,70496,7049070500 & 70502	BCRM appointed Royal Security for guarding services but the CIT did not form part of their contract. therefore the municipality did not have another option but to still make use of BG Security to perform this duty to collect the cash from various Cashier points and transport it to the bank.	s36(1)(a)(v)	AO	R 45 343.65	54518
12/06/2020	BLUE CRANE PRINTERS	NOTICE 20/2020- AMENDMENT OF CONTRACT PLACED IN LOCAL NEWSPAPER	Only service provider who distributes and newspaper supplier in the local newspaper.	s36(1)(a)(v)	AO	R 2 015.66	54516
						R 47 359.31	